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BUDGET ANALYSIS 1989 BIENNIUM VOL. II

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BUDGET ANALYSIS

1989 BIENNIUM

Presented to the Fiftieth Legislature

Volume 2

Submitted by

The Office of the Legislative Fiscal Analyst

Helena, Montana

January 1987

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JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

January, 1987

Members of the Fiftieth Legislature
Members of the Legislative Finance Committee

In accordance with the provisions of 5-12-302, MCA, I submit for your consideration an analysis of the executive budget for the 1989 biennium. The purpose of this analysis is to assist the legislature in performing its duties which are set forth in Article VIII of the Montana Constitution to balance the budget and to insure strict accountability of all funds.

The Budget Analysis is designed to be a working document containing fiscal information relevant to appropriation decisions. We are available to assist all legislators in obtaining information related to fiscal issues.

The staff wishes to express their appreciation to the agency personnel who were very cooperative about answering questions and suppling data. The Publications and Graphics Division has, as usual, been extremely professional and efficient in printing this book. The Legislature continues to receive the analysis earlier each year and I want to thank Mr. Don Breiby and his staff for meeting the deadlines.

In compiling the Budget Analysis, each staff member put in many extra hours and deserves a very special thank-you for the sacrifices made to do a thorough analysis and complete it on time. With the staff cutbacks and the new computer system, recognition should be given to Curt Nichols, Taryn Purdy, Keith Wolcott, and Betty Norris for handling significantly more responsibility than originally planned.

Respectfully submitted,

Judy Rippingale

Judy Rippingale
Legislative Fiscal Analyst

BUDGET ANALYSIS

TABLE OF CONTENTS

INTRODUCTION 1

SUBCOMMITTEE ORGANIZATION 2

STAFF ASSIGNMENTS 5

SUMMARY OF BUDGET ISSUES 6

GENERAL FUND SUMMARY AND COMPARISON 11

GENERAL FUND REVENUE FORECASTS 14

A COMPARISON OF GENERAL FUND REVENUE PROJECTIONS 39

PUBLIC SCHOOL FOUNDATION PROGRAM 42

INFLATION IN AGENCY BUDGETS 51

EXECUTIVE PAY PLAN PROPOSAL 54

GENERAL FUND SUPPLEMENTAL REQUESTS 55

FTE COMPARISON 56

GENERAL FUND EXPENDITURE SUMMARY BY AGENCY 57

LONG RANGE BUILDING 61

BUDGET ANALYSIS

GENERAL GOVERNMENT AND HIGHWAYS . . . . . SECTION A

HUMAN SERVICES . . . . . SECTION B

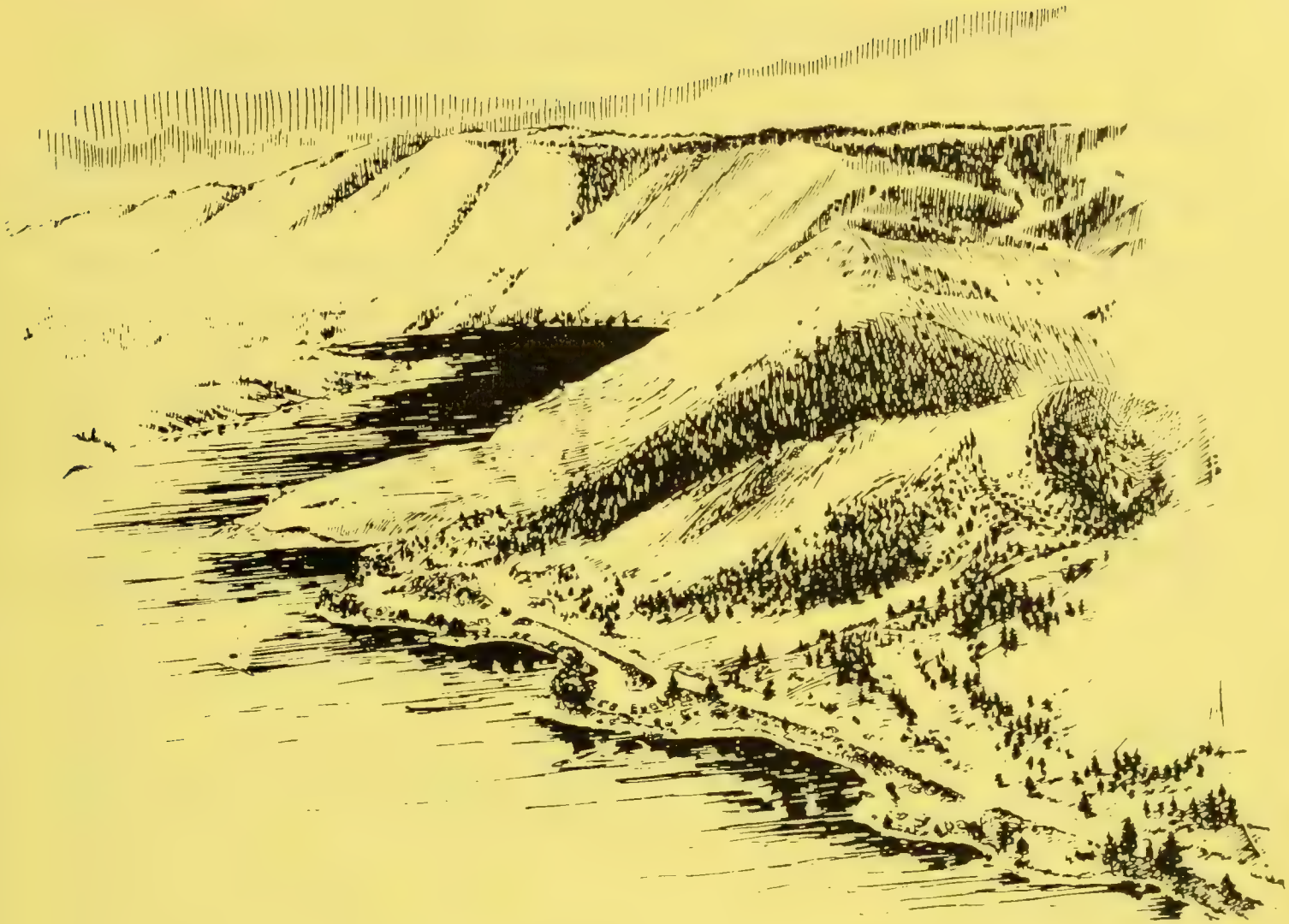
NATURAL RESOURCES AND COMMERCE . . . . . SECTION C

INSTITUTIONS . . . . . SECTION D

EDUCATION . . . . . SECTION E

HIGHER EDUCATION . . . . . SECTION F

INDEX . . . . . INDEX



NATURAL RESOURSES & COMMERCE

DEPARTMENT OF PUBLIC SERVICE REGULATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	45.0	$ -0-	$3,374,931
LFA Current Level	46.0	2,793,908	3,391,160
Executive Over (Under) LFA	(1.0)	$(2,793,908)	$ (16,229)

The following issues discuss the major differences between the executive and current level budgets.

ISSUE 1: FTE REDUCTION

The executive has deleted 1.0 FTE due to pay plan funding. This FTE has been retained in LFA current level, resulting in a personal services difference of $47,831 over the biennium.

ISSUE 2: DEPARTMENT FUNDING

The executive continues to fund the department with a fee on all regulated companies. Since the legislation allowing this funding expires on June 30, 1987, LFA current level funds the department with general fund as was the practice prior to implementation of the fee in fiscal 1987. For a further discussion, see Issue 1 on page 6.

ISSUE 3: AUDIT COSTS

The executive has included $12,480 in audit costs each year of the biennium or twice the quoted price by the auditor. LFA current level includes the quoted cost of $12,480 over the biennium.

ISSUE 4: CONTRACTED SERVICES

The executive includes $20,216 more for court reporter fees over the biennium than does LFA current level, which maintains the fiscal 1986 level of $9,892 each year of the biennium.

ISSUE 5: TRAVEL

The executive has cut travel to the commission by 44 percent to meet pay plan funding, and is, therefore, $62,156 lower that category than LFA current level.

ISSUE 6: EQUIPMENT

The executive includes $20,092 more in equipment over the biennium than does LFA current level, including an automobile and personal computer accelerator boards.

ISSUE 7: CAPITAL OUTLAY

The executive includes $27,000 over the biennium for sound-deadening material for the PSC offices not included in LFA current level.

PUBLIC SERVICE REGULATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	46.00	46.00	46.00	46.00	0.00
Personal Service	$1,275,580	$1,327,263	$1,351,875	$1,350,437	3.8
Operating Expense	310,237	398,466	335,616	324,534	(6.9)
Equipment	39,425	26,396	23,260	10,778	(48.3)
Total Operating Costs	$1,625,242	$1,752,125	$1,710,751	$1,685,749	0.6
Non-Operating Costs	5,000	-0-	-0-	-0-	(100.0)
Total Expenditures	$1,630,242	$1,752,125	$1,710,751	$1,685,749	0.4
Fund Sources					
General Fund	$1,591,510	$ -0-	$1,663,821	$1,635,427	107.3
State Special	-0-	1,686,206	-0-	-0-	(100.0)
Federal Revenue	30,032	50,919	31,930	35,322	16.9
Proprietary Funds	8,700	15,000	15,000	15,000	26.6
Total Funds	$1,630,242	$1,752,125	$1,710,751	$1,685,749	0.4

	- - - - - - Fiscal 1988 - - - - -		- - - - - - Fiscal 1989 - - - - -	
ISSUES:	General Fund	Other Funds	General Fund	Other Funds
1. Funding	$(1,663,821)	$ -0-	$(1,635,427)	$ -0-

The Department of Public Service Regulation is responsible for regulation of public utilities, motor carriers, and railroad industries to provide safe, reliable and adequate services at the lowest achievable cost to the consumers while concurrently providing the regulated industries with a fair and reasonable return on their investment for the services rendered. There are five public service commission districts, with one commissioner elected from each district.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	46.00	46.00	0.00
Personal Service	$1,322,057	$1,275,580	$ 46,477
Operating Expense	388,820	310,237	78,583
Equipment	20,882	39,425	(18,543)
Total Operating Costs	$1,731,759	$1,625,242	$106,517
Total Non-Operating Costs	-0-	5,000	(5,000)
Total Expenditures	$1,731,759	$1,630,242	$101,517
Funding			
General Fund	$1,655,131	$1,591,510	$ 63,621
Federal Revenue	61,628	30,032	31,596
Proprietary Funds	15,000	8,700	6,300
Total Funds	$1,731,759	$1,630,242	$101,517

The difference in personal services is due to vacancy savings. The underexpenditure in operating expenses occurs primarily in contract services, where the department expended $50,240 less than the appropriation. This underexpenditure primarily occurred in three areas: 1) The department was budgeted $25,000 for data processing equipment. This appropriation was coded to contract services but expended from equipment, resulting in the overexpenditure in that category. 2) The department and expended $11,232 less of federal funds than appropriated for natural gas pipeline consultants. 3) The department expended $8,700 of the total $15,000 appropriated for out-of-state audit expenses.

The department was appropriated $5,000 in general fund seed money to begin a proprietary fund to collect out-of-state audit expenses from the responsible utility. The funds were transferred to a proprietary account, resulting in the non-operating expense of $5,000 for transfers.

Current Level Adjustments

As part of the five percent reduction, the department is maintaining the vacancies of four positions for a portion of fiscal 1987, including 1.0 FTE lawyer, 1.0 FTE administrative secretary, 1.0 FTE utility rate analyst, and 1.0 FTE economist. The department will fill all positions by January, 1987. Current level funds each of these positions in the 1989 biennium.

Payroll service fees of $2,739 in fiscal 1988 and $2,672 in fiscal 1989 have been added. Payroll fees totaled $26 in fiscal 1986. Audit expenses of $12,480 have been added in fiscal 1988. The department was appropriated $11,500 in audit costs in the

1987 biennium, none of which were expended in fiscal 1986. Insurance of $364 has been added each year to the fiscal 1986 total of $2,285. One-time building materials expenses were deleted from current level, while a total of $2,106 was added for Westlaw legal expenses. The Railroad Safety Program was increased by $900 in supplies and $300 in communications, as the safety inspector position was vacant for one-half the year. In addition, $244 in clothing was added in fiscal 1988.

The department received $15,000 in appropriation authority in fiscal 1986 and fiscal 1987 for reimbursement for out-of-state audit costs, which are funded by the utility receiving the audit. As stated earlier, the department expended $8,700 of this authority. Current level includes authority of $15,000 each year of the biennium. Consequently, travel has been increased $6,300 to allow expenditure up to the appropriated authority. This increase in travel is for out-of-state audit expenses only.

Equipment includes office equipment of $14,608 in fiscal 1988 and $1,778 in fiscal 1989, and one car each year of the biennium, totaling $8,652 in fiscal 1988 and $9,000 in fiscal 1989. The vehicle included in fiscal 1989 is for the Railroad Safety Program.

The $5,000 transfer of general fund seed money to set up a proprietary account for out-of-state audit costs has been deleted from current level.

Funding

The Department of Public Service Regulation is funded from four sources: 1) Federal railroad safety funds, totaling $11,745 in fiscal 1988 and $15,183 in fiscal 1989, fund 39.42 percent of the Railroad Safety Program. The remainder of the program's funding is provided with general fund. This program had been funded 50/50 with federal and general fund in fiscal 1986. 2) Federal natural gas pipline safety funds, totaling $20,185 in fiscal 1988 and $20,139 in fiscal 1989, fund 50 percent of the expenses of the Natural Gas Pipeline Safety Program. The remainder of the program's funding is provided by general fund. 3) The department is reimbursed for out-of-state audit expenses. This reimbursement is expected to total $15,000 in each year of the biennium. 4) General fund, in addition to matching the federal funds, funds the remainder of the department's expenses. The following table shows total general fund expenditures in fiscal 1986 and current level fiscal 1988 and fiscal 1989.

Table 2
General Fund - Department of Public Service Regulation

Expenditure	Actual Fiscal 1986	Current Level Fiscal 1988	Current Level Fiscal 1989
Operations	$1,561,479	$1,625,588	$1,591,957
Railroad Safety	9,099	18,049	23,332
Natural Gas	20,933	20,184	20,138
Total	$1,591,510	$1,663,821	$1,635,427

ISSUE 1: DEPARTMENT FUNDING

House Bill 45, passed during Special Session III, changed the funding of the department from general fund to a fee on all regulated companies. The legislation expires on June 30, 1987. The issue to consider is whether to maintain funding of the department with this fee.

All companies regulated by the department must file statements with the Department of Revenue showing gross operating revenue. The Department of Revenue then determines the percentage fee required to fund the base operation costs and any appropriated contingency costs of the Department of Public Service Regulation. According to the Department of Revenue, this fee was determined to be 0.3 percent over three quarters in fiscal 1987 to collect the full year's funding. The Department of Public Service Regulation must authorize each regulated company to fully recover, in its rates and charges, the fees levied.

Option A: Maintain funding of the Department of Public Service Regulation with a fee on regulated companies, saving general fund of $1,663,821 in fiscal 1988 and $1,635,427 in fiscal 1989. This option would require continuation of Section 69-1-401 through 404, MCA.

DEPARTMENT OF FISH, WILDLIFE, AND PARKS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	496.51	$-0-	$53,074,337
LFA Current Level	490.51	-0-	50,284,542
Executive Over (Under) LFA	6.00	$-0-	$ 2,789,795

The executive budget exceeds LFA current level by 6.0 FTE and $2,789,795 in total funds. The following issues reflect the major differences between LFA current level and the executive budget.

ISSUE 1: PERSONAL SERVICES

The executive budget requires the department to reduce personnel to reflect the unfunded portion of the 1987 pay plan increase. The executive budget reduced 8.45 FTE and $321,756 for the biennium.

ISSUE 2: UPPER MISSOURI INSTREAM FLOW STUDY

The LFA eliminated 1.25 FTE and $30,000 of general license revenue for the instream flow study. The study was eliminated because it was presented to the legislature as a one-time study. The executive budget includes the 1.25 FTE and $30,000.

ISSUE 3: CONTRACTED SERVICES

The executive budget has increased contracted services by $265,867 for the biennium over the LFA current level. Table A contains the increase in contracted services by program.

Table A
Difference in Contracted Services Between LFA and Executive Budget

Program	Executive Over (Under) LFA
Centralized Services	$ 7,481
Field Services	24,114
Fisheries	(171,875)*
Law Enforcement	(3)
Wildlife	106,914
Parks	210,760
Conservation Ed.	88,464
Administration	12
Total Contracted Serv. Diff.	$ 265,867

*The reduction in fisheries was to finance the 1987 pay plan.

ISSUE 4: EQUIPMENT

The executive budget recommends that the department's current level equipment budget be $2,391,279, which is $543,339 for the biennium over the LFA current level. Table B contains the increase in equipment by program.

Table B
Difference in Equipment Between LFA and Executive Budget

Program	Executive Over (Under) LFA
Centralized Services	$174,819
Field Services	154,820
Fisheries	-0-
Law Enforcement	(300)
Wildlife	-0-
Parks	204,700
Conservation Ed	9,300
Administration	-0-
Total Equipment Diff.	$543,339

ISSUE 5: EXECUTIVE BUDGET RECOMMENDATION OF MODIFIED LEVEL REQUESTS

The executive budget recommends 27 modifieds adding a total of 13.20 FTE and costing $2.1 million in the 1989 biennium. Table C summarizes the recommended modified level requests included in the executive budget in the 1989 biennium.

Table C
Department of Fish, Wildlife, and Parks
Executive Budget, Recommended Modified Level Requests
1989 Biennium

Additional Service	FTE FY 88	FTE FY 89	Funding	1989 Biennium Costs
Centralized Services Division				
1. Vehicle Fund Transfer	0.00	0.00	Proprietary	$268,987
2. Internal Service Fund	0.00	0.00	Proprietary	385,365
3. Early License Drawing	1.00	1.00	General License	75,774
Field Service Division				
4. Increased Operations Maintenance	0.00	0.00	General License	78,754
5. Clerical Support	0.50	1.00	General License	27,675
6. Landowner/Sportsman Management	0.00	0.00	General License	15,000
Fisheries				
7. Missouri River Water Reservation	0.25	0.25	75% Federal-25% General License	48,000
8. Expanded Hatcheries Facilities	0.50	0.50	General License	42,014
9. Fish Disease Prevention	0.00	0.00	General License	14,172
10. Central Montana Fisheries Enhancement	1.00	1.00	77% Federal- 23% General License	64,309
11. Co-op Fish Monitoring	0.50	0.75	General License	64,570
12. Fort Peck Commercial Fish	1.15	1.15	Federal	40,161
Law Enforcement				
13. Warden Region 5	1.00	1.00	General License	63,978
14. Warden/Biologist-Thompson Falls	0.50	0.50	General License	33,132
15. Boating Safety	2.00	2.00	Federal	277,264
Wildlife				
16. S/W Enhancement Enforcement/Survey	1.05	1.05	General License	98,983
17. Hunter Opportunity/Game Damage	1.00	1.00	General License	82,082
18. Wildlife Mitigation Plans	0.50	0.50	General License	49,005
19. S/W Effects-Archery Hunting	0.00	0.00	General License	46,900
20. Minimize RMF Grizzly Conflict	1.00	1.00	General License	89,157
21. Non-Game Program	0.00	0.00	Non-Game Income Tax Checkoff	14,000
22. R-1 Landowner/Hunter Assistance	0.50	0.50	General License	32,506
23. Expanded Weed Control	0.00	0.00	General License	20,000
Parks				
24. Increased Snowmobile Program	0.00	0.00	Snowmobile Fuel Tax	122,000
Conservation				
25. Project WILD	0.00	0.00	General License	10,000
26. Bear Education	0.00	0.00	General License	15,000
27. Boater Safety Awareness	0.00	0.00	General License	60,000
Total	12.45	13.20		$2,138,788

DEPARTMENT OF FISH, WILDLIFE AND PARKS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level - Fiscal 1988	Current Level - Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	493.20	495.32	490.51	490.51	(4.81)
Personal Service	$12,787,731	$12,848,744	$13,384,057	$13,390,757	4.4
Operating Expense	8,216,891	8,545,193	8,053,009	8,050,571	(3.9)
Equipment	1,460,705	1,011,067	983,034	864,846	(25.2)
Total Operating Costs	$22,465,327	$22,405,004	$22,420,100	$22,306,174	(0.3)
Non-Operating Costs	2,614,731	3,587,373	2,804,134	2,754,134	(10.4)
Total Expenditures	$25,080,058	$25,992,377	$25,224,234	$25,060,308	(1.5)
Fund Sources					
General Fund	$ 405,055	$ -0-	$ -0-	$ -0-	(100.0)
State Special	16,355,872	16,929,843	16,555,626	16,464,614	(0.8)
Federal Revenue	6,350,602	6,869,024	6,765,125	6,672,779	1.7
Other Funds	1,968,529	2,193,510	1,903,483	1,922,915	(8.1)
Total Funds	$25,080,058	$25,992,377	$25,224,234	$25,060,308	(1.5)

The Department of Fish, Wildlife, and Parks is responsible for the preservation and protection of all forms of Montana's wildlife, their habitat, and the natural and cultural resources of aesthetic, scenic, historic, scientific, and archaeological significance.

The department consists of eight divisions: Centralized Services, Field Services, Fisheries, Law Enforcement, Wildlife, Parks and Recreations, Conservation Education, and Administration.

Revenue

The Department of Fish, Wildlife, and Parks is financed by a number of state special revenue accounts and federal funds. There is one major state special revenue account which finances 82.5 percent of the department's non-federal expenses. The account is the general license account which receives most of its income from fishing and hunting licenses. Table 1 details the general license account for fiscal 1987 and the 1989 biennium.

Table 1
FWP General License Account
Department of Fish, Wildlife and Parks
Fiscal Years 1987--1989

	Fiscal 1987	Fiscal 1988	Fiscal 1989
Beginning Fund Balance	$ 8,975,756	$ 6,791,929	$ 4,042,053
Projected Income	15,475,875	15,163,875	15,198,625
Total Funds Available	$24,451,631	$21,955,804	$19,240,678
Disbursements			
FWP Operations	$13,349,939	$13,646,975	$13,593,312
Bond Payments	1,078,431	1,012,776	996,062
Legislative Audit	22,133	48,000	-0-
HB 952--Instream Flow	45,982	-0-	-0-
Capital Projects	3,163,217	3,206,000	-0-
Total Disbursements	$17,659,702	$17,913,751	$14,589,374
Ending Fund Balance	$ 6,791,929	$ 4,042,053	$ 4,651,304

Note: The capital projects amount for fiscal 1988 is the amount requested in the executive budget.

CENTRALIZED SERVICES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	46.52	45.52	47.43	47.43	1.91
Personal Service	$ 972,225	$1,035,843	$1,099,872	$1,099,307	9.5
Operating Expense	1,875,762	2,052,682	1,954,655	1,928,406	(1.2)
Equipment	573,490	573,295	531,449	526,282	(7.8)
Total Operating Costs	$3,421,477	$3,661,820	$3,585,976	$3,553,995	0.8
Non Operating Costs	-0-	176,000	25,000	25,000	(71.6)
Total Expenditures	$3,421,477	$3,837,820	$3,610,976	$3,578,995	(1.0)
Fund Sources					
State Special	$1,471,368	$1,608,224	$1,653,373	$1,618,395	6.2
Federal Revenue	209,618	291,597	218,235	209,821	(14.6)
Proprietary Funds	1,740,491	1,937,999	1,739,368	1,750,779	(5.1)
Total Funds	$3,421,477	$3,837,820	$3,610,976	$3,578,995	(1.0)

The Centralized Services Division is an administrative and support unit with two bureaus. The Accounting and Finance Bureau is responsible for the budgeting, property accounting, deposition of funds, personnel, payment of vendor invoices, payroll, and for monitoring the finances of the department's vehicle fleet and warehouse operations. The License Bureau is responsible for drawings for licenses and permits for game animals and administration of hunting and fishing licenses through license dealers.

Funding for the division is from general license funds and other state special and federal revenue accounts which fund the department. In addition, the print shop, warehouse, and equipment proprietary funds finance the respective services with charges to users within the agency.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 2 compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

The Centralized Services Division had 5.18 positions vacant at the end of fiscal 1986, causing the underexpenditure in personal services. The additional 1.0 FTE is an administrative clerk transferred in from the Administrative Division.

The underexpenditure in operating expenses has four major reasons:

1) $65,000 of license commissions unspent.
2) $68,000 of printing authorization unspent.

3) $25,000 of audit fees unspent.
4) $12,000 of insurance and bonds unspent.

The non-operating costs (LCA is Legislative Contract Authority) appropriated in fiscal 1986 were: (1) LCA Vehicles - $135,000; (2) LCA - $40,000; and (3) Equity Transfer - $100,000; for a total of $275,000.

Table 2
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	45.52	46.52	(1.00)
Personal Service	$1,034,477	$ 972,225	$ 62,252
Operating Expense	2,058,670	1,875,762	182,908
Equipment	566,726	573,490	(6,764)
Total Operating Costs	$3,659,873	$3,421,477	$238,396
Non-Operating Costs	275,000	-0-	275,000
Total Expenditures	$3,934,873	$3,421,477	$513,396
Funding			
State Special	$1,742,180	$1,471,368	$270,812
Federal Funds	293,006	209,618	83,388
Proprietary Funds	1,899,687	1,740,491	159,196
Total Funds	$3,934,873	$3,421,477	$513,396

Current Level Adjustments

During the 1987 biennium, 1.91 FTE were transferred into this division from administration. Transferred in was a 0.91 FTE federal aid coordinator and an administrative clerk position. These positions are built into the current level base.

The four following expenditures were the major reason for an increase in the 1988 current level base:

1) Insurance costs increased $49,626.
2) Payroll costs increased $11,852.
3) Legislative audit fees increased $26,933.
4) Computer processing costs increased $12,379.

The current level base also includes funds to replace 50 vehicles in fiscal 1988 and 54 in fiscal 1989.

In fiscal 1986, the legislature authorized $40,000 of legislative contract authority (LCA). The current level base has $50,000 of legislative contract authority.

FIELD SERVICES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	32.15	31.00	32.15	32.15	1.15
Personal Service	$ 844,786	$ 825,252	$ 922,940	$ 922,452	10.5
Operating Expense	472,839	508,177	476,156	479,024	(2.6)
Equipment	41,662	9,330	19,060	3,200	(56.3)
Total Operating Costs	$1,359,287	$1,342,759	$1,418,156	$1,404,676	4.5
Non Operating Costs	49,312	73,000	45,000	45,000	(26.4)
Total Expenditures	$1,408,599	$1,415,759	$1,463,156	$1,449,676	3.1
Fund Sources					
State Special	$1,062,169	$1,072,769	$1,155,695	$1,148,391	7.9
Federal and Other	346,430	342,990	307,461	301,285	(11.7)
Total Funds	$1,408,599	$1,415,759	$1,463,156	$1,449,676	3.1

The Field Services Division was created under the department's reorganization, which became effective in fiscal 1984. The division was created primarily from the now defunct Ecological Services Division. The Field Services Division includes the seven regional supervisors and staff.

The Field Services Division is responsible for coordinating and supervising field activities of the seven regional headquarters, department personnel functions, game damage activities, and aircraft and private landowner relations.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 3
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	31.00	32.15	(1.15)
Personal Service	$ 878,002	$ 844,786	$ 33,216
Operating Expense	456,532	472,839	(16,307)
Equipment	100,638	41,662	58,976
Total Operating Costs	$1,435,172	$1,359,287	$ 75,885
Non-Operating Costs	78,573	49,312	29,261
Total Expenditures	$1,513,745	$1,408,599	$105,146
Funding			
State Special	$1,109,261	$1,062,169	$ 47,092
Federal Revenue	404,484	346,430	58,054
Total Funds	$1,513,745	$1,408,599	$105,146

In fiscal 1986 there were 1.15 vacant positions, causing the under expenditure in personal services. The over expenditure in operating costs is the computer programming being transferred from administration to this program. The program also over expended the supplies and materials account. The additional 1.15 FTE reflect the Block Management Program, which was transferred in from the Wildlife Division.

Current Level Adjustments

In fiscal 1986, the department transferred the Block Management Program from Wildlife to the Field Services Division. The Block Management Program is a program where blocks of private land are managed for hunting. This transfer increased the FTE by 1.15 (two fish and wildlife biologists).

FISHERIES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level - Fiscal 1988	Current Level - Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	99.64	99.54	99.29	99.29	(0.25)
Personal Service	$2,433,313	$2,548,523	$2,637,202	$2,637,674	5.9
Operating Expense	1,213,018	1,222,655	1,208,172	1,222,489	(0.2)
Equipment	161,498	87,730	130,950	103,670	(5.9)
Total Operating Costs	$3,807,829	$3,858,908	$3,976,324	$3,963,833	3.6
Non-Operating Costs	1,164,845	1,217,000	936,000	936,000	(21.4)
Total Expenditures	$4,972,674	$5,075,908	$4,912,324	$4,899,833	(2.4)
Fund Sources					
State Special	$2,847,827	$2,900,728	$2,756,543	$2,824,098	(2.9)
Federal and Other	2,124,847	2,175,180	2,155,781	2,075,735	(1.6)
Total Funds	$4,972,674	$5,075,908	$4,912,324	$4,899,833	(2.4)

The Fisheries Division is responsible for the management of Montana's fisheries resources to provide optimum sport fishing. Management strategies attempt to maintain an efficient fish culture program consistent with state needs; to preserve, restore, and improve fish habitat; to maintain optimum population of desirable fish in state waters; to provide workable fishing regulations to distribute fish equitably; to promote, where practical, commercial utilization of non-sport fish and to provide and maintain the best possible recreational fishing.

Funding for the division is from general license funds and federal Dingell-Johnson funds. Dingell-Johnson funds come from a federal excise tax on fishing equipment. The Dingell-Johnson funds require a 25 percent state match.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 4 compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

In fiscal 1987 a 0.90 FTE clerical position was transferred in to the Fisheries Division from the Parks and Recreation Division. The position was a clerical position. Also included in the Fisheries Division budget was 1.25 FTE for the instream flow study.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	98.29	99.64	(1.35)
Personal Service	$2,510,075	$2,411,086	$ 98,989
Operating Expense	1,178,974	1,193,223	(14,249)
Equipment	130,150	160,776	(30,626)
Total Operating Costs	$3,819,199	$3,765,085	$ 54,114
Non-Operating Costs	1,266,500	1,144,845	121,655
Total Expenditures	$5,085,699	$4,909,930	$175,769
Funding			
State Special	$2,843,366	$2,806,755	$ 36,611
Federal Revenue	2,242,333	2,103,175	139,158
Total Funds	$5,085,699	$4,909,930	$175,769
Additions			
Budget Amendments	$ -0-	$ 21,672	$(21,672)
HB 952	145,000	41,072	103,928
Total	$ 145,000	$ 62,744	$ 82,256

The overexpenditure in equipment is partially explained by an additional $17,791 expended on marine equipment.

Current Level Adjustments

The current level base includes 1.0 additional FTE. The FTE is for a fish and wildlife biologist to inventory the fish population in the Beaverhead National Forest. The 1985 legislature approved a budget modification totaling $51,345 for the inventory. An additional 1.25 FTE approved (House Bill 952) by the legislature for instream flow are not included in the current level base because it was presented to the legislature as a one-time project for the 1987 biennium. This elimination reduced the current level base by approximately $30,000.

The major equipment items are detailed in Table 5.

Table 5
Fisheries Division
Major Equipment Purchases in Current Level

Equipment	Fiscal 1988	Fiscal 1989
1. One-ton 4x4 Truck	$16,000	-0-
2. Boat, Motor, & Trailer Replacement	15,000	-0-
3. 115 hp Longshaft Outboard Motor	7,000	-0-
4. 20 ft. Aluminum Boat, 120 hp Outboard, and Boat Trailer	12,850	-0-
5. 18'x 6" Woolridge Boat	5,400	-0-
6. 8 Refrigerators	2,250	$4,000
7. 18 ft. Jet Board and Trailer	-0-	6,400
8. Miles City Fish Hatchery Equipment	15,000	15,000

The current level base also includes $920,000 per year of legislative contracting authority amd $16,000 per year for a grant to the cooperative fisheries research unit at Montana State University.

LAW ENFORCEMENT

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	87.33	87.33	87.50	87.50	0.17
Personal Service	$2,873,780	$2,636,205	$2,779,390	$2,783,145	1.0
Operating Expense	816,734	817,786	811,653	813,021	(0.6)
Equipment	81,946	48,000	76,811	51,089	(1.6)
Total Operating Costs	$3,772,460	$3,501,991	$3,667,854	$3,647,255	0.6
Non-Operating Costs	87,382	374,000	-0-	-0-	(100.0)
Total Expenditures	$3,859,842	$3,875,991	$3,667,854	$3,647,255	(5.4)
Fund Sources					
State Special	$3,772,460	$3,791,991	$3,667,854	$3,647,255	(3.3)
Federal and Other	87,382	84,000	-0-	-0-	(100.0)
Total Funds	$3,859,842	$3,875,991	$3,667,854	$3,647,255	(5.4)

The Law Enforcement Division is responsible for protecting fish and wildlife and their habitat and for protecting recreation, historic, and archaeological sites from willful or negligent destruction. Management duties include administration of special purpose licenses, outfitters, assisting landowners in alleviating wildlife damage, and conservation officer training.

Funding for the division is from general license fund and other earmarked revenues, including revenue from snowmobile registration fees, the motorboat certification identification fee, and fuel tax.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 6
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	87.33	87.33	0.00
Personal Service	$2,921,705	$2,873,780	$47,925
Operating Expense	812,509	816,734	(4,225)
Equipment	72,925	81,946	(9,021)
Total Operating Costs	$3,807,139	$3,772,460	$34,679
Non-Operating Costs	84,000	87,382	(3,382)
Total Expenditures	$3,891,139	$3,859,842	$31,297
Funding			
State Special	$3,807,139	$3,772,460	$34,679
Federal Revenue	84,000	87,382	(3,382)
Total Funds	$3,891,139	$3,859,842	$31,297

During fiscal 1986, the Law Enforcement Program had 5.99 vacant positions, causing the under expenditure of personnel services. The over expenditure in non-operating costs was caused by the department receiving more LCA grants than were budgeted.

Current Level Adjustments

The current level base includes 0.17 FTE transferred from administration for a warden position at Thompson Falls.

WILDLIFE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	93.34	94.49	93.51	93.51	(0.98)
Personal Service	$2,595,805	$2,638,094	$2,715,538	$2,716,887	3.8
Operating Expense	1,865,515	2,105,281	1,869,293	1,872,611	(5.8)
Equipment	247,327	77,618	134,724	96,615	(28.8)
Total Operating Costs	$4,708,647	$4,820,993	$4,719,555	$4,686,113	(1.3)
Non-Operating Costs	699,050	1,004,729	1,165,000	1,165,000	36.8
Total Expenditures	$5,407,697	$5,825,722	$5,884,555	$5,851,113	4.5
Fund Sources					
State Special	$2,551,217	$2,655,257	$2,537,608	$2,504,166	(3.2)
Federal and Other	2,856,480	3,170,465	3,346,947	3,346,947	11.1
Total Funds	$5,407,697	$5,825,722	$5,884,555	$5,851,113	4.5

The Wildlife Division is responsible for the department's survey, inventory, and research of the state's wildlife resource and its habitat. The division operates and maintains the department's wildlife management areas in the state, which total 270,000 acres. The goal of the Wildlife Division is to protect, perpetuate, enhance, and regulate the use of the wildlife resource for public benefit. The division is funded from general license funds, federal Pittman-Robertson funds, and non-game state revenues.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 7
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	94.49	93.34	1.15
Personal Service	$2,633,975	$2,592,604	$ 41,371
Operating Expense	1,932,010	1,860,506	71,504
Equipment	243,260	238,099	5,161
Total Operating Costs	$4,809,245	$4,691,209	$118,036
Non-Operating Costs	1,032,009	699,050	332,959
Total Expenditures	$5,841,254	$5,390,259	$450,995
Funding			
State Special	$2,640,567	$2,533,780	$106,787
Federal Revenue	3,200,687	2,856,479	344,208
Total Funds	$5,841,254	$5,390,259	$450,995
Additions	$ -0-	$ 17,438	$(17,438)

For fiscal 1986 and 1987, the legislature appropriated spending authority for the department to spend federal grants. At the time the authorization was approved, the department estimated $1,015,000 federal grants might be coming in the biennium. The underexpenditure in non-operating reflects the fact that the department received only $699,050 in grants.

The reduction of 1.15 FTE reflects the transfer of the Block Management Program to the Field Services Division.

Current Level Adjustments

The current level base includes the transfer of 1.15 FTE and the Block Management Program to the Field Services Division. The base also includes the transfer of 0.17 FTE from the Administration Division for a position at Thompson Falls.

Table 8 details the major items in the current level equipment budget.

Table 8
Wildlife Division
Major Equipment Purchases in Current Level

Equipment	Fiscal 1988	Fiscal 1989
1. Radio Transmitters	$58,000	$58,000
2. Trailer	18,000	
3. One ton 4x4 Truck	14,000	
4. Fire-fighting equipment		3,000
5. Tractor Mower & Weed Sprayer	3,000	1,250
6. Radiotelemetry Receivers & Scanner	3,000	6,000
7. Pump	15,000	
8. Shop Equipment		1,800
9. Snowmobile Trailer		2,000
10. Office Equipment	3,320	
11. Grizzly Bear Cage	4,000	
12. Two Houses	3,000	
13. Air Boat		10,000
14. Three Snowmobiles		9,000
15. Two Motorcycles	4,449	

The current level base includes $1,165,000 per year of legislative contract authority.

PARKS AND RECREATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	100.21	101.93	95.12	95.12	(6.81)
Personal Service	$1,942,565	$2,019,498	$2,043,030	$2,045,084	3.2
Operating Expense	1,192,384	1,050,058	1,002,478	1,008,623	(10.3)
Equipment	193,335	199,890	69,290	72,590	(63.9)
Total Operating Costs	$3,328,284	$3,269,449	$3,114,798	$3,126,297	(5.4)
Non-Operating Costs	418,902	617,644	478,134	478,134	(7.7)
Total Expenditures	$3,747,186	$3,887,090	$3,592,932	$3,604,431	(5.7)
Fund Sources					
General Fund	$ 405,055	$ -0-	$ -0-	$ -0-	(100.0)
State Special	2,685,607	3,130,079	2,983,817	2,987,295	2.7
Federal Revenue	428,486	501,500	445,000	445,000	(4.3)
Proprietary Funds	228,038	255,511	164,115	172,136	(30.5)
Total Funds	$3,747,186	$3,887,090	$3,592,932	$3,604,431	(5.7)

The Parks and Recreation Division is responsible for the operation and maintenance of the state park system, including state parks, recreation areas, monuments, recreational waterways, recreational ponds and trails and fishing access sites. The division is also responsible for conservation of the scenic, historic, archaeological, scientific, and recreational resources of the state; the administration of the federal land and water conservation fund in Montana; the administration of snowmobile recreation in Montana, by providing maintenance and installation of snowmobile facilities; and maintenance of the capitol complex grounds. This responsibility was added to the parks division by the 1983 legislature.

Funding for the division is received from snowmobile registrations, snowmobile fuel tax, coal tax, motorboat fuel tax, state park revenue, and fishing license revenue. Capitol grounds maintenance is supported through charges to all state agencies.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 9
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	101.60	100.21	1.39
Personal Service	$2,010,449	$1,942,565	$ 67,884
Operating Expense	1,119,883	1,192,384	(72,501)
Equipment	224,744	193,335	31,409
Total Operating Costs	$3,355,076	$3,328,284	26,792
Non-Operating Costs	790,046	418,902	371,144
Total Expenditures	$4,145,122	$3,747,186	$397,936
Funding			
General Fund	$ 409,767	$ 405,055	$ 4,712
State Special	2,964,211	2,685,607	278,604
Federal Revenue	501,500	428,486	73,014
Proprietary Funds	269,644	228,038	41,606
Total Funds	$4,145,122	$3,747,186	$397,936

There were 1.39 fewer FTE authorized to the department by the Office of Budget and Program Planning than appropriated by the legislature in fiscal 1986.

The under expenditure of non-operating authority was because the department only received and distributed $414,000 of federal, land, and water conservation funds instead of the anticipated $500,000. Also the legislature appropriated $290,046 to establish a proprietary account for snowmobile replacement, of which $219,787 was transferred to the proprietary account but does not appear as an expenditure. The remaining $70,259 was used by snowmobile clubs as operational expenses. The over expenditure in operating costs was caused by the snowmobile clubs expenditures.

Current Level Adjustments

The current level base has a net reduction of 6.81 FTE from the fiscal 1987 level. Table 10 details the change in FTE.

Table 10
Parks Division FTE

	FTE
Fiscal 1987 Authorized	101.93
Capitol Complex mapping	0.36
Transfer to Administration	(2.05)
Transfer to Conservation Education	(0.20)
Position Reduction	(4.92)
Fiscal 1988 current level base	95.12

The current level includes a $48,334 reduction in appraisal fees. In fiscal 1986 the department incurred one-time costs to appraise the Canyon Ferry cabin lease sites. The current level also includes a $40,446 reduction in consulting services. The reduction was taken because of insufficient revenues. Other major operating expenses reduced are: clothing-$9,700; displays-$6,750; minor tools-$8,900; photographs-$4,900; building materials-$12,100; communications-$5,250; in-state travel-$19,150; buildings and grounds-$20,000; signs and lights-$9,800; paint-$9,900; and sign material-$10,000.

During its deliberation on the budget during Special Session III, the legislature replaced the general fund in the Parks and Recreation Division with Park Acquisition Trust Fund interest. This replacement is continued in the current level base for the 1989 biennium.

The line "Position Reduction" includes 3.20 FTE reduced by the department to finance the 1987 pay plan. The remaining 1.72 FTE were never authorized by the budget office.

CONSERVATION EDUCATION DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	21.50	21.50	22.05	22.05	0.55
Personal Service	$ 627,712	$ 641,700	$ 668,873	$ 668,981	5.4
Operating Expense	464,833	485,164	457,506	453,116	(4.1)
Equipment	47,089	14,604	17,950	11,400	(52.4)
Total Operating Costs	$1,139,634	$1,141,468	$1,144,329	$1,133,497	(0.1)
Non-Operating Costs	40,240	30,000	-0-	-0-	(100.0)
Total Expenditures	$1,179,874	$1,171,468	$1,144,329	$1,133,497	(3.1)
Fund Sources					
State Special	$1,064,542	$1,066,155	$1,034,804	$1,023,972	(3.4)
Federal Revenue	115,332	105,313	109,525	109,525	(0.7)
Total Funds	$1,179,874	$1,171,468	$1,144,329	$1,133,497	(3.1)

The Conservation Education Division is responsible for the public relations functions of the department including film production and publication and distribution of the Montana Outdoors Magazine. The division informs the public about fish and wildlife laws, administrative rules, and policies that are designed to regulate outdoor recreational activities.

Funding for the Conservation Education Division is from general license revenue and federal Pittman-Robertson funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 11
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	21.50	21.50	0.00
Personal Service	$ 640,890	$ 627,712	$ 13,178
Operating Expense	458,744	464,833	(6,089)
Equipment	57,214	47,089	10,125
Total Operating Costs	$1,156,848	$1,139,634	$ 17,214
Non-Operating Costs	30,000	40,240	(10,240)
Total Expenditures	$1,186,848	$1,179,874	$ 6,974
Funding			
State Special	$1,074,579	$1,064,542	$ 10,037
Federal Revenue	112,269	115,332	(3,063)
Total Funds	$1,186,848	$1,179,874	$ 6,974

The over expenditure in non-operating was because the division received more federal grants than were authorized. Appropriation authority was transferred from other divisions to cover the additional federal funds.

Current Level Adjustments

The current level base includes 0.20 FTE transferred in from the Parks and Recreation Division and 0.35 FTE from the Administration Division for a video specialist.

ADMINISTRATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	13.36	14.01	13.46	13.46	(0.55)
Personal Service	$ 497,545	$ 503,629	$ 517,212	$ 517,227	3.3
Operating Expense	315,806	303,390	273,096	273,281	(11.8)
Equipment	114,358	600	2,800	-0-	(97.6)
Total Operating Costs	$ 927,709	$ 807,619	$ 793,108	$ 790,508	(8.7)
Non-Operating Costs	155,000	95,000	155,000	105,000	4.0
Total Expenditures	$1,082,709	$ 902,619	$ 948,108	$ 895,508	(7.1)
Fund Sources					
State Special	$ 900,682	$ 704,640	$ 765,932	$ 711,042	(8.0)
Federal Revenue	182,027	197,979	182,176	184,466	(3.5)
Total Funds	$1,082,709	$ 902,619	$ 948,108	$ 895,508	(7.1)

The Administration Division includes the Fish and Game Commission, the Director's Office, and associated staff services. The commission sets department policies and priorities and regulates the harvest of fish, game, and fur bearers through regulations establishing seasons and bag limits. The Director's Office provides executive direction for the department's overall program. Management strategies are implemented through the director, associate and deputy directors, legal unit, planning unit, and resource assessment unit.

Funding for the division is from general license funds and an overhead charge for administering federal funds received by the department.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 12
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	13.36	13.36	0.00
Personal Service	$ 511,821	$ 497,545	$ 14,276
Operating Expense	226,417	315,806	(89,389)
Equipment	160,700	114,358	46,342
Total Operating Costs	$ 898,938	$ 927,709	$(28,771)
Non-Operating Costs	222,000	155,000	67,000
Total Expenditures	$1,120,938	$1,082,709	$ 38,229
Funding			
State Special	$ 921,934	$ 900,682	$ 21,252
Federal Revenue	199,004	182,027	16,977
Total Funds	$1,120,938	$1,082,709	$ 38,229

The over expenditure in operating expenses was primarily in consultant contracts, where the department expended $120,000 more than was authorized. The major consultant contracts were: (1) $20,000 specialized studies; (2) $30,000 legal services in regards to stream access; (3) $30,000 legal services in regards to water rights; and (4) $6,000 long term stream planning for Smith River.

Equipment was under expended because the department did not buy all the computer equipment they were authorized.

Current Level Adjustments

Table 13 details the adjustments made in positions in fiscal 1986.

Table 13
Current Level Adjustments - FTE

Fiscal 1987 FTE level	14.01
Transfer to Centralized Services	(1.91)
FTE to Conservation Education for Video Specialist	(0.35)
FTE to Enforcement and Wildlife for Thompson Falls position	(0.34)
Transfer from Parks	2.05
Fiscal 1987 FTE Level	13.46

These adjustments have been continued into the 1989 biennium base.

The current level includes a $37,961 reduction in contracted services.

The current level includes an $80,000 appropriation to the Department of Livestock for predator control. For more information on predator control please refer to the Department of Livestock, Rabies Control section. The current level also includes $25,000 per year in legislative contract authority and a $50,000 transfer in fiscal 1988 to the state library for the Natural Heritage Program.

DEPARTMENT OF STATE LANDS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	307.88	$14,176,423	$37,577,694
LFA Current Level	293.30	14,459,578	30,624,340
Executive Over (Under) LFA	14.58	$ (283,155)	$ 6,953,354

The executive budget includes an increase of $6,953,354 in total funds over the LFA current level. The following issues reflect the major differences between the LFA current level and the executive budget.

CENTRAL MANAGEMENT

ISSUE 1: ATTORNEY POSITION

The executive budget contains an attorney position and approximately $28,250 general fund per year, which was transferred from the Reclamation Division to the Central Management Division. LFA did not include this position in current level because the legislature did not approve an additional attorney for the department.

ISSUE 2: TWIN BRIDGES

The executive budget includes $12,200 general fund per year for the utilities and caretaker expenses at the Twin Bridges childrens center.

ISSUE 3: AIRCRAFT MAINTENANCE

LFA current level includes approximately $105,000 per year (proprietary funds) for aircraft maintenance. The executive budget includes approximately $123,700 per year for aircraft expenses. Both the executive and the LFA used fiscal 1986 aircraft maintenance expenditures as the starting point. But included in fiscal 1986 expenditures were $18,700 of one time repairs which the LFA did not include in the current level base.

RECLAMATION DIVISION

ISSUE 4: RECLAMATION SPECIALISTS

The executive budget recommends that three new reclamation specialists positions and $92,325 general fund in fiscal 1988 and $89,802 in fiscal 1989 be added. The positions and funds are to respond to the increased activity in hard rock mining. The positions would work at processing mining applications on a timely basis. The department has indicated that in prior years when the work load for processing mining applications was high, the Environmental Analysis Bureau was used to buffer

the high workload. Since the Environmental Analysis Bureau is no longer functional and the Environmental Analysis Bureau's workload is being done by the DNRC, perhaps the DNRC could now act as a buffer during the current high workload period.

ISSUE 5: SECRETARIAL POSITION

The executive budget recommends a secretarial position for the abandoned mine program. The funding for the position is 100 percent federal funds and $36,307 for the biennium.

ISSUE 6: RECLAMATION RESEARCH

The executive budget contains a biennial request for $100,000 to do reclamation research. The funding for this research would be from the Reclamation Hard Rock Fund. The Reclamation Hard Rock Fund receives its revenue from mining fees, fines, and penalties. The proceeds in the fund are designated by statute for research, land reclamation, revegetation, and rehabilitation of water affected by mining operations.

ISSUE 7: ABANDONED MINE PROGRAM

The executive budget includes the total departmental request of $9,920,000 of federal funds for the Abandoned Mine Program. LFA current level contains the amount expended in fiscal 1986 ($5,081,062).

ISSUE 8: FUNDING SWITCH

The executive budget recommends replacing $1,174,512 of general fund with resource indemnity trust interest. A comparable change in funding was done in fiscal 1986, but it was the legislature's intent that it was done as a one time diversion. LFA current level does not make this funding adjustment. For additional information please refer to Issue 1 entitled "Distribution of Administrative Costs" in the DNRC executive comparison.

LAND ADMINISTRATION

ISSUE 9: OPERATING EXPENSES

The executive budget contains $87,348 more general fund for operating expenses than the LFA current level. The difference is that in fiscal 1986 the land administration program transferred funds appropriated for personal services to operating expenses. The program therefore expended more for operating expenses than was appropriated by the legislature. This overexpenditure of operating expenses has been reduced in the LFA current level.

RESOURCE DEVELOPMENT

ISSUE 10: CAPITAL PROJECTS

The executive budget recommends that $136,000 of resource development funds be appropriated for capital outlay projects. LFA current level contains no funding for capital outlay projects.

FORESTRY

ISSUE 11: SLASH REMOVAL POSITION

LFA current level has eliminated 1.00 FTE in the slash removal program, which the executive budget includes. The position was eliminated because slash removal funds were not available to fund the position. The executive budget includes $30,713 general fund per year to fund the position.

ISSUE 12: BRUSH REMOVAL AND TIMBER STAND IMPROVEMENT POSITIONS

LFA current level has eliminated 5.00 FTE in fiscal 1988 and 3.00 FTE in fiscal 1989 from brush removal on state lands program and the timber stand improvement program. The executive budget includes the positions in both fiscal years. The LFA current level for these programs was based upon a projection of the timber that will be cut in fiscal 1988 and 1989. The executive budget is based upon the amount of timber that is projected to be sold in the 1989 biennium. For further information on this issue please refer to the forestry section in this report. Table A details the differences between LFA current level and the executive budget in the funding of these two programs.

Table A
Comparison Between LFA and Executive Budget
1989 Biennium

	Executive	LFA	Difference
Brush Removal	$1,024,248	$573,117	$451,131
Timber Stand Improvement	1,024,197	819,582	204,615

ISSUE 13: NURSERY POSITION

LFA current level has 0.80 FTE less than the executive budget. The difference is two part time positions which the LFA eliminated because the level of federal funds which financed the nursery program has been reduced from the amount available in fiscal 1986. The executive budget has included these part time positions and has funded them with general fund. The biennial cost of these two positions is approximately $30,800 per year.

ISSUE 14: U.S. FOREST SERVICE PAYMENT

The executive budget contains an additional $147,000 general fund for the US Forest Service Payment than LFA current level. LFA current level is based upon the payment in fiscal 1986 to the Forest Service. In fiscal 1986 the state paid the Forest Service to protect Block II, while in fiscal 1987 the state assumed the protection. Therefore the payment in fiscal 1988 should be reduced to reflect the state assumption of Block II. It appears that the executive budget includes funding in fiscal 1988 to pay the Forest Service for protection of Block II and funding in 1989 for Block III.

ISSUE 15: FEDERAL FUNDS

In fiscal 1989 there is a predicted reduction in the federal revenues for the forestry program. The reduction is approximately $52,000. LFA current level has reduced equipment in fire protection and administration by $52,000 to reflect the reduction in federal funds. The executive budget has replaced the federal funds with general funds.

ISSUE 16: NURSERY MODIFICATIONS

The executive budget includes two modifications for the nursery program. First there is an increase of 0.70 FTE and $40,853 for increased nursery production. The position is to be financed with nursery revenues. Second there is a recommendation for an additional 0.90 FTE to work on filling the order for trees and bushes from the Department of Fish, Wildlife, and Parks. The position would cost $48,873 and is financed with nursery revenues.

ISSUE 17: HAZARD REDUCTION MODIFICATIONS

The executive budget includes 3.0 FTE and $169,500 to help administer hazard reduction (slash disposal) on private land. The recommendation is also proposing that the revenues for hazard reduction be increased. The executive proposes that the withholding rates be increased from $6.00 per MBF to $10.00 per MBF. Also the administration fee is proposed to be increased from 4 percent to 10 percent. For additional information on slash revenues please refer to the Forestry section of this report.

ISSUE 18: PRIVATE LANDOWNER ASSESSMENT

The revenues from private landowner assessments was predicted to have a positive fund balance of $177,000 at the end of the 1989 biennium. LFA current level used $160,000 of this project year balance to reduce $160,000 of general fund.

DEPARTMENT OF STATE LANDS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - - Current Level - - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	291.55	303.08	284.33	293.30	(9.78)
Personal Service	$ 7,265,151	$ 6,995,858	$ 7,077,665	$ 7,264,952	0.6
Operating Expense	8,359,163	8,356,898	4,914,991	4,903,581	(28.4)
Equipment	687,216	197,220	539,653	312,436	(3.7)
Total Operating Costs	$16,311,530	$12,549,976	$12,532,309	$12,480,969	(13.3)
Non-Operating Costs	2,821,872	7,250,847	2,805,531	2,805,531	(44.3)
Total Expenditures	$19,133,402	$19,800,823	$15,337,840	$15,286,500	(21.3)
Fund Sources					
General Fund	$ 8,678,738	$ 6,529,244	$ 7,288,180	$ 7,171,398	(4.9)
State Special	3,333,705	3,216,558	1,592,964	1,710,312	(49.6)
Federal Revenue	6,922,698	9,860,437	6,286,422	6,233,144	(25.4)
Proprietary Funds	198,261	176,584	170,274	171,646	(8.8)
Total Funds	$19,133,402	$19,782,823	$15,337,840	$15,286,500	(21.3)

The Department of State Lands was created in 1927 to administer grazing and agricultural trust land. The land administered by the department was acquired in the Enabling Act of 1889 which granted to Montana, for common school support, Sections 16 and 36 in every township within the state. Forested trust land was managed by the Department of Natural Resources and Conservation until July 1, 1981 when the function was transferred to the Department of State Lands. The Forestry Division is one of the five divisions within the department.

The primary purpose of the department is to administer state trust land holdings for the maximum benefit of the trust recipients. On non forested lands, the management may include agricultural, grazing, oil and gas, and/or mining leases. On trust forest land, the department management includes reforestation, disease control, timber sales, and fire protection.

Additional responsibilities of the department include forest fire protection for private forest lands and administering the state's reclamation laws and certain other mining laws and regulations.

Organizationally, the chain of command extends from the Board of Land Commissioners through the director (commissioner) to the five division administrators. The department consists of five divisions: (1) Central Management Division, (2) Reclamation Division, (3) Lands Administration Division, (4) Resource Development Division, and (5) Forestry Division.

The department is responsible for fire protection in Montana. This responsibility resulted in approximately $3,284,900 in fire suppression expenditures in fiscal 1986. This amount was removed from actual fiscal 1986 costs in the calculation of fiscal 1988 and 1989 current level costs. Fire suppression costs are funded through supplemental appropriations by the legislature. Therefore, no fire suppression costs are included in the 1989 biennium budget.

In the 1989 biennium, the department has a 20.4 percent increase in general fund and a 49.6 percent decrease in state special revenue funds. The increase in general fund is not apparent in the main table because the table includes the fire supplemental expenditure. The department's fiscal 1986 general fund expenditure minus the fire supplemental is $5,393,838. The increase in general fund is due primarily to the replacement of approximately $1.3 million resource indemnity trust interest (RIT) funds with general fund in the Reclamation and Forestry Divisions.

CENTRAL MANAGEMENT

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	19.00	18.00	19.00	19.00	1.00
Personal Service	$ 551,946	$ 552,262	$ 564,914	$ 564,554	2.3
Operating Expense	588,484	747,336	564,068	498,274	(20.5)
Equipment	3,342	16,000	-0-	-0-	(100.0)
Total Operating Costs	$1,143,772	$1,315,598	$1,128,982	$1,062,828	(10.9)
Non-Operating Costs	265,000	265,000	265,000	265,000	-0-
Total Expenditures	$1,408,772	$1,580,598	$1,393,982	$1,327,828	(9.0)
Fund Sources					
General Fund	$ 845,057	$ 837,210	$ 969,639	$ 943,702	13.7
State Special	197,085	379,571	160,787	119,198	(51.4)
Federal Revenue	168,369	187,233	93,282	93,282	(47.5)
Proprietary Funds	198,261	176,584	170,274	171,646	(8.8)
Total Funds	$1,408,772	$1,580,598	$1,393,982	$1,327,828	(9.0)

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Distribution of Admin Costs				
Option A:	$(129,659)	$126,659	$(129,659)	$129,659
Option B:	(54,168)	54,168	(54,168)	54,168
Option C:	-0-	-0-	-0-	-0-

Central Management Division is responsible for performing the overall administrative services for the department. These services include revenue collection and distribution, budgeting, accounting, aviation operations, trust record maintenance, personnel, and data processing. The department's legal section and reception services for the Helena office are included in this division.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	18.00	19.00	1.00
Personal Service	$ 551,984	$ 551,946	$ 37
Operating Expense	811,941	530,694	281,248
Equipment	45,000	3,342	41,658
Total Operating Costs	$1,408,925	$1,085,982	$322,943
Non-Operating Costs	265,000	265,000	-0-
Total Expenditures	$1,673,925	$1,350,982	$322,943
Funding			
General Fund	$ 874,701	$ 845,057	$ 29,644
State Special	471,691	197,085	274,606
Federal Revenue	173,276	168,369	4,907
Proprietary Funds	154,257	140,471	13,786
Total Funds	$1,673,925	$1,350,982	$322,943
Additions			
Budget Amendments	$ -0-	$ 57,790	$(57,790)

For the 1987 biennium, the legislature had authorized $872,589 for the computerization of the trust management system. The funding of the computerization is from the resource development account. Section 77-1-640 and 77-1-607, MCA, which created the resource development account permits the Board of Land Commissioners to use 2 1/2 percent of the income derived from the state trust fund lands for the purpose of investing in the improvement and development of state lands. In fiscal 1986, the legislature had authorized $470,557 for the computerization, of which $196,171 was expended. The revenues for the resource development account were approximately $200,000 per year less than were estimated for the biennium. The $274,386 reduction in computerization is the main reason for the $322,943 difference

between what was authorized by the legislature and what was actually expended. This is discussed further under current level adjustments.

A position was transferred from the Reclamation Division to provide an aircraft mechanic. This is discussed further under current level adjustments.

Equalization Payments to Counties

For fiscal 1986, the legislature authorized $265,000 general fund for payment to counties. The funds were appropriated for the payment in lieu of taxes. Sections 77-1-501 through 77-1-507, MCA, require the state to reimburse counties in which the state owns over 6 percent of the land area of the county for lost property tax revenues. The proposed budget for the 1989 biennium contains $265,000 per year for the payment to counties.

Current Level Adjustments

In fiscal 1986, the department transferred one position from the Reclamation Division to Central Management. The position in Central Management was used as an aircraft mechanic. The department had been sending its helicopters to Hamilton, MT for maintenance. The company in Hamilton went out of business and the nearest location for helicopter services was Wyoming. Therefore, the department added one position in Central Management to maintain the aircraft. The position is financed from the aircraft maintenance revolving account.

The funding of Central Management Division in the 1989 biennium has shifted because of the following:

A. The percentage of overhead for federal funds has decreased by 3 percent, therefore reducing indirect cost revenues by approximately $40,000.

B. The Environmental Analysis Bureau was eliminated which reduced $36,000 in revenues.

In contractual services, the authorization for insurance, payroll services, and audit fees were increased in total $40,793.

The current level also includes $30,000 in fiscal 1988 for the legislative audit. This is an increase of $9,717 over fiscal 1986. The current level includes $160,787 in fiscal 1988 and $119,198 in fiscal 1989 for the trust management system. In fiscal 1986 there was $197,085 expended on the system. Insurance costs for the department have increased in the current level base from $41,634 in fiscal 1986 to $68,056 per year in the 1989 biennium.

The department's air operation is included in Central Management. For fiscal 1988, the current level base includes an increase of $20,300 for aircraft maintenance. In fiscal 1989, the increase for aircraft maintenance is $18,800. These increases reflect major aircraft overhauls and inspections that will come due during the 1989 biennium. The total budget for aircraft operation is $170,274 in fiscal 1988 and $171,646 in fiscal 1989. The cost of air operations are collected from a user charge for aircraft use.

ISSUE 1: DISTRIBUTION OF ADMINISTRATIVE COSTS

The budget for Centralized Services (minus Air Operations, county reimbursement, and the Trust Land Management System) provides for the administrative functions for the entire department. To distribute the costs of administration equally, a ratio of each program's personal services costs to the department's total personal service costs has been used in other state agencies. This approach to distributing administrative costs is presented for legislative consideration. For fiscal 1988, the personal service costs of the department are detailed in Table 2.

Table 2
Department of State Lands Personal Costs
Fiscal 1988

Program	
Land Administration	$ 442,000
Resource Development	180,000
Reclamation	
Administration and Hard Rock	329,000
Environmental Assessment	-0-
Abandoned Mine	159,000
Coal and Uranium	432,000
Forestry	
Administration	883,000
Forestry Management	1,590,000
Fire	2,037,000
Nursery	148,000
Slash	108,000
TSI	148,000
Brush	65,000
Air Operations	26,000
Total	$6,547,000
Funding	
General Fund	$4,473,000
Resource Development	180,000
Brush	65,000
TSI	148,000
Nursery	84,000
Slash	54,000
Federal Reclamation	505,000
Private Landowners	701,000
Federal-Forestry	311,000
Air Operations	26,000
Total	$6,547,000

The administrative costs for the Department of State Lands are $704,640 in fiscal 1988. Subtracting the available federal funds leaves a balance of $611,358. Table 3

details the cost to each individual fund if the costs are allocated based on each fund's percentage of personal costs. The percentage for federal funds and slash funds were not included in the distribution. The federal funds have a negotiated indirect charge rate of $93,282 and the slash account doesn't have funds available to pay its own program costs, let alone cost sharing for administration.

Table 3
Cost Sharing $704,640 of Administrative Costs

	Percentage	Cost
General Fund	78.79	$481,699
Resource Development	3.17	19,384
Brush	1.14	7,000
Timber Stand Improvement	2.61	15,938
Nursery	1.48	9,046
Private Landowners Assessment	12.35	75,491
Air Operation	0.46	2,800
Total	100.00	$611,358

Currently the cost of administration is financed entirely with general fund and $93,282 of federal indirect funds. The state special funds are not included in the funding calculation. All of the state special funds detailed in Table 4 could be used to finance a portion of administration.

The private landowners fire protection assessment in the 1989 biennium will be collecting the maximum amount allowed by statute. If the maximum charges were increased 12 percent then the cost of department administration would be financed with the assessment share of administrative costs. The issue of the private landowners assessment is discussed in greater detail in Issue 3 in the Forestry Bureau sections.

Option A: Finance the department administrative costs as detailed in Table 3 for a general fund saving of $129,659 each year.

Option B: Finance the department's administrative costs as detailed in Table 3 but replace the private landowners assessment costs with general fund for a general fund savings of $54,168 each year.

Option C: Maintain the current general fund funding of administrative costs for no general fund savings.

RECLAMATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level Fiscal 1988	Current Level Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	41.00	42.00	32.00	32.00	(10.00)
Personal Service	$1,048,278	$1,083,491	$ 920,159	$ 919,568	(13.7)
Operating Expense	2,494,883	1,964,916	1,988,676	1,989,769	(10.8)
Equipment	34,804	28,823	45,000	30,000	17.9
Total Operating Costs	$3,577,965	$3,077,230	$2,953,835	$2,939,337	(11.5)
Non-Operating Costs	2,540,531	6,273,359	2,540,531	2,540,531	(42.4)
Total Expenditures	$6,118,496	$9,350,589	$5,494,366	$5,479,868	(29.1)
Fund Sources					
General Fund	$ -0-	$ 556,704	$ 588,162	$ 573,457	108.7
State Special	861,154	729,928	417,183	417,183	(47.6)
Federal Revenue	5,257,342	8,063,957	4,489,021	4,489,228	(32.6)
Total Funds	$6,118,496	$9,350,589	$5,494,366	$5,479,868	(29.1)

The Reclamation Division is responsible for the regulation of all mining-related disturbances in the state. The division administers the Montana Strip and Underground Mine Reclamation Act, Section 82-4-210, MCA; the Montana Opencut Mining Act, Section 82-4-401, MCA; the Montana Strip and Underground Mining Siting Act, Section 82-4-101, MCA; and statutes regulating hard rock mining. The division also administers the Federal Surface Mining Control and Reclamation Act.

The Reclamation Division includes the Abandoned Mine Reclamation Bureau, the Coal and Uranium Bureau, the Hardrock Mining Bureau, and the Environmental Analysis Bureau.

The Abandoned Mine Reclamation Bureau is responsible for abandoned mine reclamation, site inventory, reclamation project design, project administration, reclamation contracts, and technical assistance. This program is financed 100 percent by federal funds.

The Coal and Uranium Bureau is responsible for the Federal Surface Mining Control and Reclamation Act and the Montana Strip and Underground Mine Siting and Reclamation Acts. This bureau reviews prospecting and mining applications for coal and uranium and issues permits for both. This bureau is also responsible for reclamation of coal and uranium mining operations, including site evaluations, and bond release inspections. This program is financed by 80 percent federal funds and 20 percent general funds.

The Hardrock Mining Bureau is responsible for administering the Montana Metal Mines Reclamation Act. The bureau issues mine and exploration permits, licenses and

exclusions, and reviews reclamation plans. The bureau conducts mine and bond release inspections and monitors water quality. This program is funded 100 percent by general fund. In fiscal 1986, the legislature replaced the general fund financing of this program with resource indemnity trust interest. In fiscal 1987 and thereafter, the funding returns to general fund. This change accounts for most of the 108.7 percent rise in general fund shown in the table on the previous page.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	42.00	41.00	(1.00)
Personal Service	$1,124,663	$1,048,278	$ 76,385
Operating Expense	2,092,090	2,452,260	(360,170)
Equipment	38,122	34,804	3,318
Total Operating Costs	$3,254,875	$3,535,342	$ (280,467)
Non-Operating Costs	5,756,184	2,540,531	3,215,653
Total Expenditures	$9,011,059	$6,075,873	$2,935,186
Funding			
State Special	$1,442,097	$ 861,154	$ 580,943
Federal Revenue	7,568,962	5,214,719	2,354,243
Total Funds	$9,011,059	$6,075,873	$2,935,186
Additions			
Budget Amendments	$ -0-	$ 42,623	$ (42,623)

The reduction of 1 FTE in fiscal 1986 was caused by the transfer of a secretarial position to Centralized Services for the creation of the aircraft mechanics position. The overexpenditure in operating expenses is caused by the department's using funds appropriated for non-operating costs (for abandoned mine reclamation) for consulting engineering services.

Current Level Adjustments

The department has eliminated 9.0 FTE which made up the Environmental Assessment Bureau. This bureau was eliminated because the need for environmental impact statements was erratic; therefore, the department could not reasonably maintain a permanent staff. The department plans on contracting with the Department of Natural

Resources and Conservation for any environmental impact statements that may be needed. For both fiscal years of the 1989 biennium, the budget includes $417,183 for contractual services for the department to contract for environmental impact statements.

A vacant secretarial position was transferred to Central Management and reclassified as an aircraft mechanic position.

In operating expenses, there was major adjustment made to the fiscal 1986 base.

1. Consultant services were reduced $189,109 in Hard Rock and Administration and $610,780 in the Abandoned Mine Reclamation Program.

2. The elimination of the Environmental Analysis Bureau has caused the department to contract with the Department of Natural Resources and Conservation for environmental impact statements. Therefore, the current year base contains $417,183 per year for these consultant services.

3. Included in the base is $35,000 (80 percent federal/20 percent general fund) for computer programming development of the reclamation portion of the Trust Land Management System.

Included in the budget is $45,000 for three replacement 4x4 vehicles in fiscal 1988 and $30,000 to replace two 4x4 vehicles in fiscal 1989.

The current level base by program is detailed in Table 5.

Table 5
Reclamation Bureau Funding by Program

Fiscal 1988	General Fund	State Special	Federal	Total
Admin. & Hardrock	$440,575	$ -0-	$ -0-	$ 440,575
Environ. & Analysis Bureau	-0-	417,183	-0-	417,183
Abandoned Mine	-0-	-0-	3,844,099	3,844,099
Coal and Uranium	147,587	-0-	644,922	792,509
Total FY 88 Funding	$588,162	$417,183	$4,489,021	$5,494,366
Fiscal 1989				
Admin. & Hardrock	$425,777	$ -0-	$ -0-	$ 425,777
Environ. & Analysis Bureau	-0-	417,183	-0-	417,183
Abandoned Mine	-0-	-0-	3,843,936	3,843,936
Coal and Uranium	147,680	-0-	645,292	792,972
Total FY 89 Funding	$573,457	$417,183	$4,489,228	$5,479,868

LAND ADMINISTRATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	18.62	18.62	18.62	18.62	0.00
Personal Service	$382,856	$421,840	$442,381	$442,138	9.9
Operating Expense	106,162	85,508	87,200	87,733	(8.7)
Equipment	56,939	10,000	16,408	11,432	(58.4)
Total Expenditures	$545,957	$517,348	$545,989	$541,303	2.3
Fund Sources					
General Fund	$545,957	$517,348	$545,989	$541,303	2.3

The Land Administration Division is responsible for appraisal, supervision, management, and development of non-forest trust lands. This division is responsible for insuring that returns on the use of trust lands are maximized without adversely affecting the land resource. Proceeds from surface and mineral resource leases are distributed to public schools and other endowment funds. The division consists of the following bureaus and sections: (1) Resource Development Bureau, (2) Land Management Bureau, (3) Surface Leasing Bureau, (4) Mineral Leasing Bureau, and (5) Geology Section.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 6
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	18.62	18.62	0.00
Personal Service	$409,998	$382,856	$ 27,142
Operating Expense	89,132	106,162	(17,030)
Equipment	54,200	56,939	(2,739)
Total Exp. & Gen. Fund	$553,330	$545,957	$ 7,373

In fiscal 1986, the legislature added three new land use specialists. Two positions were not filled until the year was three-quarters over and one was filled at the one-quarter mark. This is the reason there is a positive difference in personal service. As of the end of fiscal 1986, all positions were filled. The over-expenditure in operating expense occurred in supplies and materials and in communications. Both accounts were overexpended by approximately $10,000.

Current Level Adjustments

In fiscal 1986, the bureau overspent the funds appropriated for operating expenses. The legislature appropriated $89,132 for operating expenses and the department expended $106,162 or a $17,030 increase. For the 1989 biennium base, the fiscal 1986 authorized level was used as the base for contracted expenses. Therefore, $17,000 has been reduced in operating expenses so the 1989 biennium base is equal to the amount that was appropriated by the 1985 legislature.

The budget includes funding for replacement of a 4X4 vehicle ($11,432) in each fiscal year and the purchase of a personal computer ($4,976) in fiscal 1988.

RESOURCE DEVELOPMENT

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Service	$176,962	$169,618	$180,403	$180,373	4.1
Operating Expense	323,289	40,136	34,552	34,898	(80.9)
Equipment	429	-0-	-0-	-0-	(100.0)
Total Operating Costs	$500,680	$209,754	$214,955	$215,271	(39.4)
Non-Operating Costs	16,341	670,488	-0-	-0-	(100.0)
Total Expenditures	$517,021	$880,242	$214,955	$215,271	(69.2)
Fund Sources					
State Special	$517,021	$880,242	$214,955	$215,271	(69.2)

The Resource Development Bureau carries out land development projects to increase revenue and to improve or preserve the value of the land. This responsibility is in accordance with the policy delineated in Section 77-1-601, MCA, which states:

> It is in the best interest and to great advantage of the State of Montana to seek the highest development of state-owned lands in order that they might be placed to their highest and best use and thereby derive greater revenue for the support of the common schools, the university system, and other institutions benefiting therefrom...

Resource development projects include irrigation and stockwater projects, range renovation, and commercial projects.

Funding for resource development projects is derived from not more than 2.5 percent of the income from lands managed. The Land Board determines the amount or percentage of income up to 2.5 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 7
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	7.00	7.00	7.00
Personal Service	$175,892	$176,962	$ (1,070)
Operating Expense	39,756	323,289	(283,533)
Equipment	-0-	429	(429)
Total Operating Costs	$215,648	$500,680	$(285,032)
Non-Operating Costs	339,089	16,341	322,748
Total Expenditures	$554,737	$517,021	$ 37,716
Funding			
State Special	$554,737	$517,021	$ 37,716

In accordance with boilerplate language in House Bill 500, the department transferred $308,496 of the $359,254 authorized from this program to the Forestry Division for increased timber sales.

The overexpenditure in operating expense was caused by a $290,023 one-time special assessment which was not budgeted. The assessment was on a piece of land in the Billings area which the state wants to sell. A local lawsuit required the state to pay the assessment before the land could be sold.

Current Level Adjustments

In fiscal 1986, the department had a one-time special assessment charge of $290,023. This expenditure has been eliminated from the base.

The department has requested $58,000 in fiscal 1988 and $78,000 in fiscal 1989 for capital outlay projects. The capital outlay request is detailed in Table 8. The capital outlay projects are designed to maintain or improve the income from state lands. Current level does not include the amounts for capital outlay.

Table 8
Resource Development Projects - 1987 Biennium

Projects	Fiscal 1987	Fiscal 1988
Stockwater Projects	$ 5,000	$15,000
Irrigation Projects	10,000	10,000
Range Renovation	-0-	2,000
Saline Seep	5,000	6,000
Commercial Projects	15,000	40,000
Others	8,000	5,000
Carryover of Approved Projects in Fiscal 1987	15,000	-0-
Total Project Costs	$58,000	$78,000

FORESTRY DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	205.93	217.46	207.71	216.68	(0.78)
Personal Service	$ 5,105,109	$4,768,647	$4,969,808	$5,158,319	2.6
Operating Expense	4,846,345	2,519,002	2,240,495	2,292,907	(38.4)
Equipment	591,702	124,397	478,245	271,004	4.6
Total Operating Costs	$10,543,156	$7,412,046	$7,688,548	$7,722,230	(14.2)
Non-Operating Costs	-0-	42,000	-0-	-0-	(100.0)
Total Expenditures	$10,543,156	$7,454,046	$7,688,548	$7,722,230	(14.4)
Fund Sources					
General Fund	$ 7,287,724	$4,617,982	$5,184,390	$5,112,936	(13.5)
State Special	1,758,445	1,226,817	800,039	958,660	(41.1)
Federal Revenue	1,496,987	1,609,247	1,704,119	1,650,634	8.0
Total Funds	$10,543,156	$7,454,046	$7,688,548	$7,722,230	(14.4)

	- - - - - - Fiscal 1988 - - - - -		- - - - - - Fiscal 1989 - - - - -	
ISSUES:	General Fund	Other Funds	General Fund	Other Funds
1. Share funding of administration				
Option A: Full sharing	$(393,246)	$393,246	$(393,246)	$393,246
Option B: Exempt private landowner assessment	(111,445)	111,445	(111,445)	111,445
Option C: Continue current practice	-0-	-0-	-0-	-0-
2. Assumption of Block 3				
Option A: Assumption	-0-	-0-	-0-	-0-
Option B: No Assumption	210,361	-0-	212,310	-0-
3. Forest Fire Suppression Costs				
Option A: Full Sharing	(280,000)	280,000	(280,000)	280,000
Option B: Continue Current Prac.	-0-	-0-	-0-	-0-

The Forestry Division is responsible for: a) surface management on all school trust land classified as forest; b) fire suppression on all private and state land within forest fire districts and within counties as requested; and c) provision of technical advice to private landowners, loggers, and mills as it pertains to maximizing returns from the forest resource.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 9
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	205.93	205.93	0.00
Personal Service	$4,660,220	$4,554,340	$105,880
Operating Expense	2,680,472	2,098,220	582,252
Equipment	638,061	591,699	46,362
Total Operating Costs	$7,978,753	$7,244,259	$734,494
Non-Operating Costs	43,000	-0-	43,000
Total Expenditures	$8,021,753	$7,244,259	$777,494
Funding			
General Fund	$4,087,209	$4,002,832	$ 84,377
State Special	2,312,876	1,755,308	557,568
Federal Revenue	1,621,668	1,486,119	135,549
Total Funds	$8,021,753	$7,244,259	$777,494
Additions			
Budget Amendments		$ 14,013	$(14,013)
Supplemental Fire Suppression	$3,291,151	3,284,884	6,267

Included in the above comparison table is the transfer of $308,496 of resource development funds for increased timber sales. For fiscal 1986, the division expended $246,503 of the amount transferred.

In its deliberations on the 1987 biennium budget, the legislature was presented with a plan by the Forestry Division to raise the amount of timber to be cut on state owned lands from 34 million board feet (MMBF) per year to 50 MMBF per year. The division argued that if the amount of timber cut was increased, revenues to the trust funds (the biggest benefactor being the School Trust Fund) would increase.

In proposing the increase of timber to be cut, the division indicated that there were three components of their operations that would need additional resources. First, the division would need additional personnel, contracted personnel, and equipment to administer and conduct the sales. For fiscal 1986, the legislature appropriated $308,496 resource development funds for the additional timber sales.

The second and third areas that the division indicated would need additional resources would be timber stand improvement (TSI) and slash and brush disposal.

The revenues which made up the TSI fund and the Slash and Brush Fund are derived from the sale of the timber. For every 1,000 board feet of timber sold, the division charges an additional $22 ($11 for TSI and $11 for slash and brush disposal). Therefore, if the sale of timber was increased from 34 MMBF to 50 MMBF, then both funds would receive an additional $176,000.

For fiscal 1986, the division increased the amount of timber sold from 34 MMBF to 52.5 MMBF. But because the buyer has up to three years in which to cut the timber, the additional funds for TSI and brush removal will not be available until the timber is cut and the state gets paid. Therefore, where as the legislature appropriated $512,657 of TSI funds and $574,108 of brush funds, the division only expended $278,564 of TSI and $315,946 of brush funds. These reversions of spending authorization are the main cause of the difference shown in the comparison table between authorized and expended.

Current Level Adjustments

In fiscal 1986, resource indemnity trust interest was used to offset $751,401 of general fund. This offset has been reversed in the current level. Also, the timber sale modification in fiscal 1986 which was financed with $246,503 of resource development funds will be financed with general funds.

Fire Management

Built into the current level for fiscal 1988 is $5,369 for rural community fire protection contracts.

The current level base also includes the financing to assume Block III (please refer to Issue 2 for more information on Block III). This includes $268,722 in fiscal 1988. The funds are primarily for equipment ($172,400) to be prepared to accept Block III. There is also 2.80 FTE build into fiscal 1988. The current level for fiscal 1989 has 9.77 FTE for the assumption of Block III and a budget of $247,197.

The fire protection payment to the U.S. Forest Service was reduced in the current level by $81,914 which is the saving the state will realize by assuming Block II. The savings in fiscal 1989 is $158,138 as the state assumes the additional responsibility for Block III.

The current level funding for the Fire Bureau has been adjusted by $80,000 per year with the general fund being reduced and private landowner assessment fees being increased. This adjustment was possible because of a projected biennium fund balance of $177,000.

Slash Cleanup on Private Land

In fiscal 1986, the legislature appropriated $114,884 for slash cleanup of which $91,590 was financed by slash revenues and $23,294 financed by general fund. Actual expenditures in the slash cleanup were $66,255 general fund and $54,672 from slash revenues. Instead of financing 20 percent of the program, the general fund financed 55 percent.

The state collects $0.24 per MBF for expenses of administering the slash disposal program. The state also holds, in an escrow account, $5.76 per MBF from timber logged off private land. The funds are returned to the logger when the land has been adequately cleaned up so as to remove fire hazards. If the land has not been properly cleaned up, the state uses the escrow account funds to eliminate the fire hazards.

The revenues for administering the program do not cover the cost of the program. As detailed above, the general fund has financed over 50 percent of the program. For cleanup on state owned land, the division collects $11 per MBF for slash disposal.

For fiscal 1988 and 1989, the current level budget has one position eliminated ($30,713) from the department's request. As stated in the first paragraph, the general fund subsidized the slash program with $54,672 in fiscal 1986. For fiscal 1988 and 1989, the department had requested the general fund subsidize $90,000 or 50 percent of the program costs. To maintain the general fund subsidy at 50 percent, one position was eliminated. The slash program's current level is approximately $125,000 of which $63,000 is slash revenue and $62,000 is general fund.

Brush Program and Timber Stand Improvement Program

In its 1987 biennium budget, the legislature appropriated the necessary resources for the division to sell 50 MMBF of timber per year. This represented an increase of 16 MMBF over what had been sold. Concurrent with this increase in timber sold was corresponding increases in brush and slash removal and Timber Stand Improvement Programs (TSI).

In fiscal 1986, the Forestry Division did increase the amount of timber sold to 52.5 MMBF. But because the timber buyer has up to three years in which to harvest the timber, the need for additional Brush and TSI funds was not immediate. Therefore, the increases which the legislature appropriated for these programs in fiscal 1986 were not fully expended.

To more accurately determine the needs of the Brush and TSI programs, the current level is based upon a three year history of timber cut and expenditures on Brush and TSI. The expenditure in a particular fiscal year were divided by the timber cut in the previous fiscal year. For example, in fiscal 1986, the amount expended on Brush removal was $198,843. Therefore, using the factor that in fiscal 1985, 26.05 MMBF was cut, the average cost per MMBF to remove slash was $7,633. The prior year cut was used in the equation because it was felt to represent an accurate estimate of the brush disposed. A three year history of cost and timber cut were used to establish an average cost per MMBF for both Brush and TSI. Table 10 details the information used.

Table 10
Three Year History of Brush and TSI

	Fiscal 1984	Fiscal 1985	Fiscal 1986	Three Year Average
Timber cut* (MMBF)	34.74	25.56	26.05	---
Brush Expenditure	$237,830	$192,183	$198,843	$ ---
Cost per MMBF (Brush)	6,846	7,518	7,633	7,333
TSI Expenditure	339,118	331,588	232,307	---
Cost per MMBF (TSI)	9,761	12,972	8,917	10,550

*Previous year.

For fiscal 1987, the division estimates that 35 MMBF will be cut and in fiscal 1988, 44 MMBF. Using these timber cut estimates and the three average of costs, in Table 11 costs were projected for Brush and TSI.

Table 11
Projection of Brush and TSI cost in the 1989 Biennium

	Fiscal 1988	Fiscal 1989
Projected timber to be cut (MMBF) in prior fiscal year	35.0	44.0
Brush @ $7,333/MMBF cut	$256,655	$322,652
TSI @ $10,550/MMBF cut	369,250	464,200

The current level was based upon these projected costs. The projected costs were allocated on the same ratio (personal services, operating expenses, and equipment) as the fiscal 1986 expenditures. Table 12 details fiscal 1986 expenditures and the allocation of costs for fiscal years 1988 and 1989.

Table 12
Brush and TSI Fiscals 1988 and 1989

	Fiscal 1986	Fiscal 1988	Fiscal 1989
Brush			
Personal Services	$ 52,772	$ 65,374	$ 82,201
Operating Costs	131,614	182,031	230,511
Equipment*	14,457	6,500	6,500
Total	$198,843	$253,905	$319,212
TSI			
Personal Services	$ 96,970	$148,017	$186,016
Operating Costs	123,908	208,617	263,932
Equipment*	11,429	6,500	6,500
Total	$232,307	$363,134	$456,448

*Since the department only requested $6,500 for equipment, the amount which would have been allocated to equipment was added to operating costs.

Built into the budget for fiscal 1986 and 1987 was personnel which assumed that 50 MBF of timber would cut and the corresponding land would need Brush removal and TSI work. To adjust personal services to accurately reflect the 35 MBF (fiscal 1988) and 44 MBF (fiscal 1989) that will need brush removal and TSI work, five positions were reduced in fiscal 1988 and three in fiscal 1989. Two foresters and a soil scientist position were reduced for the biennium and two foresters were reduced for fiscal 1988 only.

Nursery

In fiscal 1986 the legislature appropriated $18,000 of federal funds to improve production at the tree seedling nursery. During fiscal 1986 the division expended $224,916 on the Nursery operation of which $15,775 was from federal funds. The federal funds are not available for the 1989 biennium. Therefore, the current level base has been reduced by $15,775 per year. Two part-time forestry workers (.80 FTE) were eliminated.

The current level base has been reduced by $28,870 general fund in fiscal 1988 and $23,020 general fund in fiscal 1989. These amounts reflect consulting contracts which are new and were not in effect in fiscal 1986.

Table 13 details the current level base for the Forestry Division by program.

Table 13
Forestry Budget by Program
1989 Biennium

Fiscal 1988	General Fund	State Special	Federal & Other	Total
State Forest Mgmt & Admin.	$3,176,051	$ -0-	$ 160,199	$3,336,250
Forest Fire	1,854,750	-0-	1,543,920	3,398,670
Brush Removal	-0-	253,905	-0-	253,905
Timber Stand Improvement	-0-	363,134	-0-	363,134
Nursery	91,548	120,000	-0-	211,548
Private Slash Removal	62,041	63,000	-0-	125,041
Total Fiscal 1988 Funding	$5,184,390	$800,039	$1,704,119	$7,688,548
Fiscal 1989				
State Forest Mgmt & Admin.	$3,180,600	$ -0-	$ 148,199	$3,328,799
Forest Fire	1,773,466	-0-	1,502,435	3,275,901
Brush Removal	-0-	319,212	-0-	319,212
Timber Stand Improvement	-0-	456,448	-0-	456,448
Nursery	96,564	120,000	-0-	216,564
Private Slash Removal	62,306	63,000	-0-	125,306
Total Fiscal 1988 Funding	$5,112,936	$958,660	$1,650,634	$7,722,230

ISSUE 1: SHARED FUNDING OF FORESTRY DIVISION ADMINISTRATION

For fiscal 1986 approximately $1,400,000 of the Forestry Division Budget has been determined to be administration. In fiscal 1986 the administrative costs were financed 98.6 percent with general fund dollars ($108,000 of RIT interest was used to replace general fund, but RIT interest funds are not included in the 1989 biennium funding). To more fairly apportion the administrative costs to the division's programs and the funds which finance those programs, a cost sharing proposal based upon personal costs was determined.

Besides administration there are six other distinct programs in the division: Forest Management; Fire; Brush; TSI; Nursery; and Slash Disposal. Table 14 details the personnel cost and funding of each of the programs for the 1989 biennium.

Table 14
Forestry's Fiscal 1988 Personal Costs by Program

Program	Fiscal 1988	Percentage of Total P.S.
Forest Management	$1,590,000	38.9
Fire	2,037,000	49.7
Brush	65,000	1.6
TSI	148,000	3.6
Nursery	148,000	3.6
Slash	108,000	2.6
Total	$4,096,000	100.0
Funding		
General Fund	$2,683,000	65.5
Nursery Funds	84,000	2.1
Slash Funds	54,000	1.3
TSI	148,000	3.6
Brush	65,000	1.6
Federal	311,000	7.6
Private Land Owners	751,000	18.3
Total	$4,096,000	100.0

Based on the funding percentages in Table 14, the $1,400,000 cost of administering the Forest Division could be financed as detailed in Table 15. Because of limited revenues the Slash funds are not included in proposal of distributing administrative costs and also because of limited federal funds the federal funds were not included. The portions which slash and federal funds would have financed have been redistributed to the remaining funds. Table 16 contains the percentage and amounts that each fund would have to finance to equitably distribute administrative costs.

Table 15
Distribution of Forestry Administrative Costs

	Percentage	Prorated Costs
General Fund	71.9	$1,006,754
Nursery	2.3	31,520
Private Landowner Assessment	20.1	281,801
TSI	4.0	55,535
Brush	1.7	24,390
Total	100.0	$1,400,000

The revenue from private landowner assessments is derived from the property assessment charged for forest fire protection. The assessment is to be levied at a rate so that it funds one-third of fire protection costs. But currently the assessment does not pay for any of the division's administrative cost and a portion of administration is to administer the fire program (none of the other funds pay for administration, other than general fund).

The current forest fire protection assessment to private landowners is 17 cents per acre or a minimum of $14. This assessment raises approximately $1,150,000 per year. To raise an additional $281,801 annually would require a 24.5 percent increase in assessment fees. This issue is further discussed in Issue 3.

Option A: Distribute the costs of administering the forestry division as detailed in Table 15. This results in a general fund saving of $393,246 per year.

Option B: Distribute the cost of administering the forestry division as detailed in Table 16 but do not charge the landowners their portion of the costs ($267,703) and have the general fund finance that portion. This option has a general fund savings of $111,445 per year.

Option C: Continue the current status of the general fund financing the entire costs. No general fund saving.

ISSUE 2: ASSUMPTION OF THIRD BLOCK BY FORESTRY DIVISION

By statute the State of Montana has forest fire protection responsibility for all state and private lands. Currently the state provides this forest fire protection through the state forestry division and through contracts with the U.S. Forest Service. The U.S. Forest Service also has responsibility for protecting federally owned land. Over the years there has been cooperative agreements between the state and federal government as to specific geographic areas for which each has responsibility.

Until the 1985 biennium the U.S. Forest Service was protecting approximately 2,000,000 more acres of state and private lands than federal land which the state protected. In 1985, the U.S. Forest Service indicated that the acreage discrepancy

was costing them more to protect than the 19.45 cents per acre that the state was paying. The Forest Service threatened to charge the state the full cost of fire protection on the 2,000,000 acres unless that state embarked on a schedule of equalizing the acreage protected.

It was under this threat that the state legislature approved the forestry division's assumption of approximately 400,000 acres per biennium since the 1985 biennium. The 400,000 acres per biennium was in conjunction with an agreement between the Forest Service and the State. The agreement was that the Forest Service would accept 19.45 cents per acre for the discrepancy acreage (the additional acreage that is protected by the federal government) if the state would equalize the fire protection over a 10 year period.

It appears that the legislature has two options and both would require additional general fund for the 1989 biennium. Built into the current level is the least costly of the two options (least costly in the short run) which is the assumption of the third block of 413,492 acres. The third block is included in the current level base because it is in line with previous legislative policy to equalize the land protected by the state with the U.S. Forest Service.

The assumption of the third block is cost effective in the short term but may be a costly decision for future generations. To assume responsibility of the additional 413,492 acres will cost the state $268,722 in fiscal 1988 and $247,197 in fiscal 1989. These costs are the pre-suppression costs and do not include the costs of suppressing a forest fire in the 413,492 acres. Based upon information from the Forestry Division the costs of fire suppression should average $100,000 per year on the third block. Using both the pre-suppression and suppression average, the cost per acre for the state to assume Block III would be 84.0 cents per acre.

The 84.0 cents per acre must be compared with the most recent per acre assessment by the U.S. Forest Service which is 64.06 cents per acre. This includes the supression and pre-suppression cost. Therefore for the state to assume Block III will require the state to pay 19.94 cents per acre more for fire protection on the third block.

Why, then, does it make sense for the state to assume the third block if it will cost the state more to protect the 413,492 acres than contracting with the U.S. Forest Service? There are an additional 716,934 acres which the Forest Service has agreed to protect at 19.45 cents per acre if the state takes over the 413,492 acres (Block III). If the state decides not to assume Block III, then the U.S. Forest Service will charge 64.06 cents per acre on the 1,130,426 acres which it protects for the state. This option would cost an additional $479,083 per year (in the 1989 biennium) for fire protection. If the state were to assume Block III, then in fiscal 1988 the additional cost to purchase equipment and prepare for the assumption of Block III would be $268,722. The costs in fiscal 1989 would be $247,197 for the assumption of Block III, $100,000 for the fire suppression in Block III, and a savings of $80,424 for no longer having to pay the U.S. Forest Service's 19.45 cents per acre for fire protection. Table 16 details out the cost of either option for the 1989 biennium.

Table 16
Block III Assumption vs Non-Assumption for the 1989 Biennium

Costs	- - Assume Block III - - Fiscal 1988	Fiscal 1989	- Do Not Assume Block III - Fiscal 1988	Fiscal 1989
Pre-Suppression Costs	$268,722	$247,197	$ -0-	$ -0-
Suppression Costs	-0-	100,000	-0-	-0-
Contracting with Fed. Govt. @ 19.45 cents per acre	219,868	139,444	-0-	-0-
Contracting with Fed. Govt. @ 64.06 cents per acre	-0-	-0-	698,951	698,951
Total Costs	$488,510	$486,641	$698,951	$698,951
Biennium Total	$975,231		$1,397,902	

The savings that the state would realize from assuming Block III would be $422,671 for the 1989 biennium.

If the state can save $422,671 for the biennium, why should the legislature consider the alternative? Because in the long term it may be more expensive for the state to assume Block III. The fact that it costs 84.0 cents per acre for the state to protect the land compared to the 64.06 cents that the U.S. Forest Service charges indicates that in the long term it would be more expensive to assume Block III. Table 17 details a ten year projection of four possible scenarios. As Table 17 indicates the state's ten year costs increase with each additional block the state assumes.

Table 17
Ten Year Analysis of Fire Block Costs

Fiscal Year	Assume No More Blocks	Assume Block III Only	Assume Blocks III and IV	Assume Blocks III, IV, & V
1988	$ 698,951	$ 488,620	$ 488,620	$ 488,620
1989	698,951	486,641	486,641	486,641
1990	698,951	806,465	755,363	755,363
1991	698,951	806,465	762,469	762,469
1992	698,951	806,465	918,634	1,031,191
1993	698,951	806,465	918,634	1,041,591
1994	698,951	806,465	918,634	1,041,591
1995	698,951	806,465	918,634	1,041,591
1996	698,951	806,465	918,634	1,041,591
1997	698,951	806,465	918,634	1,041,591
Total for 10 years	$6,989,510	$7,426,981	$8,004,897	$8,732,239

Option A: Assume Block III which is the current level.

Option B: Contract with the U.S. Forest Service which would require a $422,671 additional appropriation of general fund for the biennium. This option would produce long term savings for the state.

ISSUE 3: FOREST FIRE SUPPRESSION COSTS

Should private landowners pay a portion of all forest fire protection costs or only a portion of the pre-suppression costs? Currently private landowners are only charged one-third of the pre-suppression costs and not one-third of total fire protection costs. The difference between pre-suppression cost and total fire protection costs is the cost associated with putting forest fires out (fire suppression costs). The state general fund pays all costs associated with fire suppression.

A report entitled, "Timber Management and Forest Fire Protection Costs in Montana, a Report and Recommendations of the Joint Interim Subcommittee No. 2 of the Forty-Ninth Legislature," includes the following passage, which indicates that the committee assumes that private landowners pay for one-third of forest fire protection costs.

Funding for Forest Fire Districts and Affidavits

> Funding of wildfire prevention, control, and suppression has been cooperatively provided from private, state, and federal sources based on the combination of benefits received by each party, the need for protection on state lands, and the public fire threat to private lands and resources. Based on the findings of a 1958 study by Battelle Institute, forest fire protection costs have been assigned one-third to private property and two-thirds to public funding.

Also, Section 76-13-207, MCA, requires that the Department of State Lands "prepare an annual operation assessment plan in which fire protection costs are determined." The section further requires that "the department shall request the legislature to appropriate the state's portion of the cost. After the appropriation is made by the legislature, the department shall cause an assessment to be made on the owners of classified forest lands . . . sufficient to bring the total amount received from such landowners to no greater than one-third of the amount specified in the appropriation." The key phrase of this section is again "fire protection costs." Section 75-6-13-102, MCA, contains the definition of forest fire protection, which is; "means the work of prevention, detection, and suppression of forest fires . . ." The legislature has already determined that private landowners should pay one-third of fire suppression costs.

If it is the legislature's intent, as stated in the Joint Interim Subcommittee's report and in Section 76-13-207, MCA, that private landowners should pay one-third of forest fire protection costs, there are a number of possible alternatives to include the annual cost of forest fire suppression.

Because of the wide cost variance from year to year in forest fire suppression costs, if the fee to private landowners was based on the prior year costs the fee would go up and down quite dramatically from year to year. If some stability is to be built into a possible fee schedule, some sort of yearly cost averaging formula must be developed. By using cost averaging, there would be years in which private

landowners would be paying for more forest fire fighting services than they will receive, and years in which they will receive more services than those for which they have paid.

In determining what fire protection costs it will charge the state, the U.S. Forest Service looks at a 12 year history of fire protection costs and averages these 12 years minus the high and low cost years. The state may want to use a similar approach in charging private landowners. Table 18 details a twelve year period from 1975 to 1986, discarding the high cost year of 1986 ($3,290,436) and the low cost year of 1977 ($49,731) from the twelve year average. The last two columns adjust the cost of the previous year's fires to a 1987 basis. These columns are necessary to project a fire suppression cost based upon the ten year average of actual costs. The average yearly fire cost would be $710,426, of which the state would charge private landowners one-third, or $236,809 per year.

Table 18
Adjusted 12 Year Fire Suppression Costs

Calendar Year	Number of Forest Fires	Net General Fund Cost	CPI 1987 Est.	Adjusted Total Costs
1975	145	$ 193,240	111.97%	$ 409,612
1976	211	67,255	100.41%	134,786
1978	180	572,384	74.87%	1,000,940
1979	471	58,749	57.18%	92,339
1980	158	1,159,880	38.45%	1,605,879
1981	337	62,615	25.44%	78,545
1982	197	775,141	18.19%	916,173
1983	216	145,223	14.51%	166,296
1984	316	763,899	9.84%	839,037
1985	422	1,752,289	6.18%	1,860,650
Total	2,653	$5,550,675		$7,104,257
Average		$ 555,068		$ 710,426

In checking with neighboring states, the private landowner assessments are much greater in Oregon and Idaho than in Montana. In Idaho the private landowner is assessed 30 cents per acre. In Oregon the rates vary around the state but in Eastern Oregon which has forests similar to Montana a state forestry official estimated the cost to landowners at 40 cents per acre.

In the state of Washington the landowner rates are similar to Montana for presuppression costs, but in Washington there is an additional assessment for suppression costs. The charge per acre vary between eastern and western Washington for 5 cents per acre in eastern Washington to 9 cents per acre in western Washington. The assessment which generates approximately $500,000 per year is deposited into a dedicated fund for fire suppression costs. The Forest Service in Washington can adjust the assessment charges but state statute limits the charge to 10 cents per acre and the maximum that can be in the dedicated fund is $1,000,000.

If the legislature developed a fire suppression fund similar to Washington's, the need for supplemental funding of fire suppression costs would be lessened. Currently all fire suppression costs require a general fund supplemental. If all landowners including the state were assessed by the acreage owned then there would be a fund available every year from which fire suppression costs could be financed. This concept would not eliminate the need for supplementals because in certain years there will be extreme fire costs which the fund would not be able to finance. The current assessment is 17 cents per acre with a minimum assessment of $14.00. The minimum assessment means that landowners who own between one and 82.3 acres must pay $14.00.

According to the Forestry Bureau for every $1.00 the minimum is raised the revenues would increase by $40,000, and for every 1 cent the the cents-per-acre assessment is raised, it will increase revenues by $30,000.

Table 19 details possible assessment increases and the revenues that would be generated annually. The table also contains some possible assessment increase to fund the cost of administration which are options raised in the issues.

Table 19
Private Landowner Fire Assessments

	Minimum	Cents Per Acre	Revenue
Current Fee	$14.00	17 cents	$1,150,000
	15.00	18 cents	1,220,000
	16.00	19 cents	1,290,000
	17.00	20 cents	1,360,000
	18.00	21 cents	1,430,000
	19.00	22 cents	1,500,000
	20.00	23 cents	1,570,000
	21.00	24 cents	1,640,000
	22.00	25 cents	1,710,000
	23.00	26 cents	1,780,000

Table 19 details the amount of revenues that would have to be raised from private landowners if a forest fire suppression fund was created and if administrative costs of Forestry Division and the department are financed.

Option A: Increase the landowners assessment to a $.21/acre and an $18 minimum fee. This would increase revenues by $280,000 per year and decrease the need for a general fund supplemental by a like amount.

Option B: Continue the current general fund support.

Table 20 was created to itemize the maximum general fund saving that could be obtained from Issues 1, 2, and 3 and Issue 1 in Central Management. The current private landowner assessment produces approximately $1,150,000 per year in revenues.

Table 20
Increases in Private Land Owner Assessments

Fiscal 1988	Assessment Cost	Accumulative Total	Revenue	Assessment
Fire Mgmt. Base (1/3 FD $3,398,670)	$1,132,890	$1,132,890	$ -0-	
Fire Suppression	280,000	1,412,890	1,430,000	$0.18/Acre & $21 Minimum
Forestry Administration	267,703	1,680,593	1,710,000	$0.22/Acre & $25 Minimum
Department Administration	75,491	1,756,084	1,780,000	$0.23/Acre & $26 Minimum
Total	$1,756,084	$1,756,084		

As can be seen in Table 20 to produce the revenue that will finance all of the options which provide maximum general fund reduction would require an assessment of $0.23 per acre and a $26 minimum fee. The maximum general fund savings if all the maximum general fund options are accepted would be $623,194 per year.

DEPARTMENT OF LIVESTOCK
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Biennium Total Funds
Executive Budget	114.61	$1,313,461	$ 8,375,822
LFA Current Level	108.71	1,293,582	7,997,030
Executive Over (Under) LFA	(5.9)	$ 19,879	$ 378,792

The executive budget has 5.9 more FTE and $378,792 more than LFA current level.

ISSUE 1: INSPECTION POSITION

For the 1989 biennium the executive budget includes 5.90 FTE and $233,825 which are not included in LFA current level. These positions were vacant in fiscal 1986 because revenues were less than estimated for the 1987 biennium and because there was a drop in the number of livestock to be inspected. LFA current level eliminated the positions because there doesn't appear to be a recovery in number of livestock and in the revenues from the property tax on livestock which fund these positions.

ISSUE 2: CONTRACTING FOR PREDATORY CONTROL

For the 1989 biennium the executive budget contains an additional $62,602 for contracted predatory control. LFA current level continues the fiscal 1986 expenditure level.

ISSUE 3: AIRCRAFT MAINTENANCE

For the 1989 biennium the executive budget increased aircraft maintenance $70,408 above the LFA current level which maintains the amount expended in fiscal 1986 ($22,437 a year) for aircraft maintenance.

DEPARTMENT OF LIVESTOCK

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	115.61	117.81	108.71	108.71	(9.10)
Personal Service	$2,842,637	$2,995,835	$2,889,127	$2,895,761	(0.9)
Operating Expense	1,366,229	1,614,679	976,369	980,577	(34.4)
Equipment	182,805	131,542	122,966	128,230	(20.1)
Total Operating Costs	$4,391,671	$4,742,056	$3,988,462	$4,004,568	(12.5)
Non-Operating Costs	25	2,300	2,000	2,000	72.0
Total Expenditures	$4,391,696	$4,744,356	$3,990,462	$4,006,568	(12.5)
Fund Sources					
General Fund	$ 641,101	$ 580,100	$ 645,372	$ 648,210	5.9
State Special	3,223,967	3,576,256	3,250,090	3,263,358	(4.2)
Federal Revenue	526,628	588,000	95,000	95,000	(83.0)
Total Funds	$4,391,696	$4,744,356	$3,990,462	$4,006,568	(12.5)

The Department of Livestock consists of the Animal Health Division, the Brands-Enforcement Division, the Centralized Services Division, and the Diagnostic Laboratory Division. The Animal Health Division includes the Disease Control Program and the Milk and Egg Program. The Brands-Enforcement Division includes the Inspection and Control Program and the Predatory Animal Control Program. The Beef and Pork Research and Marketing Program and the Crimestoppers Program are administratively attached to the Centralized Services Division.

The Board of Livestock has the duties and powers of a department head as provided in Section 2-15-112, MCA. The board consists of seven members appointed by the Governor with the consent of the senate. Each member must be a resident of Montana and an active livestock producer. The executive secretary serves at the pleasure of the board. The executive secretary is responsible for ensuring that the department functions in a manner consistent with the directives, policies, and rules of the board and the laws of Montana.

There are three major changes between the 1987 biennium and the 1989 biennium. First, in the current level there is an elimination of 5.90 FTE from the Inspection and Control Division. These positions were not filled in fiscal 1986. The second change was the increase in the tax collected for beef promotion. The tax increased from $0.25 to $1.00 per animal. This increased the revenues from $500,000 to an estimated $2,000,000. The third change was the funding switch from general fund to resource indemnity trust interest (RITI) for support of the Rabies Control Program. During Special Session III, the legislature switched $67,727 of general fund expenditures to RITI.

For the 1989 biennium, approximately 54 percent of the department's budget is funded with two state special revenue accounts: 1) Inspection and Control account, and 2) Animal Health account. Both of the accounts receive revenues from assessments against livestock owners based on the value of their livestock. These assessments are set by the Board of Livestock with the maximum assessment amount, which the Board can assess, being set by the legislature.

CENTRALIZED SERVICES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	8.00	9.00	8.00	8.00	(1.00)
Personal Service	$259,567	$261,587	$262,278	$262,471	0.7
Operating Expense	136,003	124,366	144,917	132,467	6.5
Equipment	449	12,974	5,750	1,700	(44.5)
Total Expenditures	$396,019	$398,927	$412,945	$396,638	1.8
Fund Sources					
General Fund	$ 57,427	$ 58,958	$ 61,941	$ 59,496	4.3
State Special	338,592	339,969	351,004	337,142	1.4
Total Funds	$396,019	$398,927	$412,945	$396,638	1.8

The Centralized Services Division is responsible for the accounting, budgeting, payroll, personnel, legal services, purchasing, and general services functions of the Department of Livestock.

The Livestock Crimestoppers Commission was created during the 1983 legislative session as part of the Livestock Crimestoppers Program. The commission consists of five members appointed by the chairman of the Board of Livestock. The commission is attached to the department for administrative purposes only. The Livestock Crimestoppers Program was initiated to promote a statewide reward program for individuals providing information used in combatting livestock-related crime.

Funding for Centralized Services Division consists of 15 percent general fund and state special revenue funds split evenly between the animal health and inspection and control funds. This funding mix reflects the approximate funding split between general fund and the earmarked revenues for the department.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	8.00	8.00	0.00
Personal Service	$262,476	$259,567	$2,909
Operating Expense	137,753	136,003	1,750
Equipment	-0-	449	(449)
Total Expenditures	$400,229	$396,019	$4,210
Funding			
General Fund	$ 61,645	$ 57,427	$4,218
State Special	338,584	338,592	(8)
Total Funds	$400,299	$396,019	$4,210

For the 1987 biennium the department voluntarily reduced 1.0 clerical FTE position as the department determined revenues were insufficient to fully fund the program.

Current Level Adjustments

The current level for Centralized Services Division remains intact for the 1989 biennium with the following changes.

1. Continuation of a $1,500/year three year contract begun in fiscal 1987 with the Montana Alfalfa Seed Growers Association. This is a three year study of the disease Chalkbrood in Leafcutter Bees.

2. The addition of a personal computer ($6,200) in fiscal 1988 which will allow the division to automate daily collections, budget status reports, and small equipment and field personnel inventories.

3. The addition of a personal computer ($6,200) in fiscal 1989 to enter accounting transactions directly with the Department of Administration mainframe computer.

DIAGNOSTIC LABORATORY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	19.00	19.00	18.00	18.00	(1.00)
Personal Service	$479,340	$473,269	$480,208	$481,441	0.9
Operating Expense	167,911	173,730	179,386	186,044	7.0
Equipment	84,930	-0-	8,290	8,290	(80.5)
Total Expenditures	$732,181	$646,999	$667,884	$675,775	(2.6)
Fund Sources					
General Fund	$311,735	$306,533	$307,942	$311,888	0.3
State Special	420,446	340,466	359,942	363,887	(4.9)
Total Funds	$732,181	$646,999	$667,884	$675,775	(2.6)

The Diagnostic Laboratory provides laboratory support for the Disease Control and Milk and Egg Programs and to veterinarians and livestock producers. The laboratory protects the public health by testing dairy products and performing diagnostic tests on suspected rabies cases and other zoonotic diseases. Testing on wildlife and small animals is performed upon request.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 2
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	18.00	19.00	(1.00)
Personal Service	$471,428	$479,340	$(7,912)
Operating Expense	176,787	167,911	8,876
Equipment	86,550	84,930	1,620
Total Expenditures	$734,765	$732,181	$2,584
Funding			
General Fund	$314,323	$311,735	$2,588
State Special	420,442	420,446	(4)
Total Funds	$734,765	$732,181	$2,584

Current Level Adjustments

The budget was increased $1,500 for the line cost to communicate milk testing results between Bozeman and Provo, Utah. This is a service that the department provides for the states' Dairy Herd Improvement Association (DHIA). The DHIA is reimbursing the state for this service.

The increase in operating expense was primarily caused by inflation in laboratory costs and utilities. Also the current level includes $2,095 for computer maintenance.

The budget also includes funding for the lab to purchase five personal computers. The computers will be used to store, compile, manipulate, and communicate information within the lab.

Funding

Funding for the laboratory is split between the general fund and the animal health state special revenue fund. The animal health state special revenue fund contributes approximately $52,000 more than the general fund contribution for two reasons: 1) The program receives a $27,000 reimbursement from the USDA for two positions. The USDA reimburses the department 100 percent for a microbiological position and 50 percent for a laboratory aide position. 2) It is estimated that the Dairy Herd Improvement Association (DHIA) will reimburse the state $25,000 per year for lab testing services. These reimbursements were deducted from the total authorization and then the net authorization was funded 50 percent general fund, 50 percent animal health funds.

DISEASE CONTROL PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	13.30	12.30	12.30	12.30	0.00
Personal Service	$373,566	$373,703	$374,853	$375,362	0.4
Operating Expense	74,620	136,547	75,598	76,226	(28.1)
Equipment	3,501	20,826	24,660	24,660	102.7
Total Operating Costs	$451,687	$531,076	$475,111	$476,248	(3.2)
Non-Operating Costs	25	2,300	2,000	2,000	72.0
Total Expenditures	$451,712	$533,376	$477,111	$478,248	(3.0)
Fund Sources					
State Special	$451,712	$533,376	$477,111	$478,248	(3.0)

The Disease Control Program is responsible for the diagnosis, prevention, control, and eradication of animal diseases and disorders. The program provides education and information on animal diseases and disorders to the livestock industry, the veterinary profession, and the public at large. This program is funded entirely by an assessment on livestock based on taxable value.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 3
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	13.30	13.30	0.00
Personal Service	$389,841	$373,566	$16,275
Operating Expense	125,028	74,620	50,408
Equipment	24,871	3,501	21,370
Total Expenditures	$539,740	$451,687	$88,053
Non-Operating Expenses	2,300	25	2,275
Total Exp. and State Spec. Rev.	$542,040	$451,712	$90,328

Because of concern about revenues from the livestock property tax, the department reduced this program's personal services, operating expenses, and equipment.

In fiscal 1986 the department eliminated two word processing positions and in fiscal 1987 eliminated one additional word processor. In fiscal 1986 the department underspent the amount authorized for supplies by $13,000 and travel by $7,000. The department also did not contract for computer programming as initially authorized which saved apparently $30,000.

Although the department was authorized funds to replace two vehicles, these vehicles were not replaced to save money. The non-operating expenses are brucellosis indemnity payments for ranchers whose cattle have brucellosis and must be destroyed.

Current Level Adjustments

The budget includes funds to purchase two vehicles in fiscal 1988 and two in fiscal 1989. In fiscal 1988 the division would replace one car and one 4 x 4, 1/2 ton pickup truck. In fiscal 1989 two 4 x 4, 1/2 ton pickup trucks would be replaced. The budget also contains funds to purchase a personal computer in fiscal 1988. The computer would be used to keep records of import permits.

MILK AND EGG PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	6.70	6.70	6.70	6.70	0.00
Personal Service	$184,827	$189,159	$186,176	$186,611	(0.3)
Operating Expense	23,819	28,996	23,691	24,040	(9.6)
Equipment	13,302	14,454	18,009	18,562	31.8
Total Expenditures	$221,948	$232,609	$227,876	$229,213	0.6
Fund Sources					
General Fund	$203,948	$214,609	$207,876	$209,213	(0.4)
Federal and Other Revenue	18,000	18,000	20,000	20,000	11.1
Total Funds	$221,948	$232,609	$227,876	$229,213	0.6

The Milk and Egg Program is responsible for insuring that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. The program provides for licensing, sampling, laboratory testing, and product and site inspecting done in cooperation with other state and federal agencies. The program is primarily supported with general fund. The federal government contributes funds for the School Lunch Program.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	6.70	6.70	0.00
Personal Service	$190,115	$184,827	$ 5,288
Operating Expense	28,525	23,819	4,706
Equipment	9,560	13,302	(3,742)
Total Expenditures	$228,200	$221,948	$6,252
Funding			
General Fund	$210,200	$203,948	$6,252
State Special	18,000	18,000	-0-
Total Funds	$228,200	$221,948	$6,252

For fiscal 1986 the legislature authorized funds for the purchase of a replacement vehicle and in fiscal 1987 an additional vehicle and a personal computer. The reason for the overexpenditure in equipment is the purchase of a personal computer in fiscal 1986.

Current Level Adjustments

The budget contains funding to replace two 1/2 ton pickup trucks in each year of the biennium. The budget for vehicle replacement in fiscal 1986 is $17,240 and in fiscal 1989 is $17,950.

INSPECTION AND CONTROL PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	68.61	68.61	62.71	62.71	(5.90)
Personal Service	$1,506,564	$1,603,850	$1,545,132	$1,549,180	(0.5)
Operating Expense	230,101	241,584	249,682	257,834	7.6
Equipment	75,932	77,088	66,257	75,018	(7.7)
Total Expenditures	$1,812,597	$1,922,522	$1,861,071	$1,882,032	(0.2)
Fund Sources					
State Special	$1,812,597	$1,922,522	$1,861,071	$1,882,032	(0.2)

The Inspection and Control Program is responsible for theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of livestock security interests, dealer licensing, and hide and beef inspection.

The Inspection and Control Program is the largest in the department in terms of FTE and expenditures. It is supported entirely from state special revenues derived from assessments against livestock owners based on the value of livestock.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 5
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	68.61	68.61	0.00
Personal Service	$1,639,288	$1,506,564	$132,724
Operating Expense	251,492	230,101	21,391
Equipment	86,724	75,932	10,792
Total Exp. and State Spec Rev.	$1,977,504	$1,812,597	$164,907

In fiscal 1986 the department had nine positions (5.90 FTE) which were vacant for the entire fiscal year. The department maintained these vacancies because of concern about revenues from the property tax on livestock. The underexpenditure in operating expenses was in contracted services. Also for fiscal 1986 the department

purchased six vehicles instead of the authorized seven and purchased three personal computers instead of four.

Current Level Adjustments

The department's base budget was reduced 5.90 FTE because these positions were never filled in fiscal 1986. The department has requested that the positions be carried in the budget in case the cattle market does turn around and the positions are needed. But the department's own revenue estimates for the cattle head tax, which supports the Beef Marketing Program, do not indicate any substantial growth in the beef market. In fiscal 1986, $459,400 was collected from a 25 cents per head fee. For fiscal 1986 the department's estimate is $2,000,000 from a $1.00 per head fee. At the most the department is estimating an 8.8 percent growth in the cattle market.

Two new computer terminals and replacement of one costing $6,900 in fiscal 1988 and replacement of two terminals in fiscal 1989 at $5,600 are included. An additional $8,012 was added for computer processing for additional computer terminals and a personal computer connected to the mainframe. An additional $9,735 in fiscal 1988 and $14,937 in fiscal 1989 was included in the current level to connect personal computers statewide via communication lines and to connect a terminal in Helena with the Department of Administration's mainframe. The budget also includes funding for five 1/2 ton pickup trucks and one automobile ($59,357) to be purchased in fiscal 1988 and six 1/2 ton pickup trucks ($59,118) in fiscal 1989.

BEEF AND PORK RESEARCH AND MARKETING

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
Personal Service	$ 50	$ 150	$ -0-	$ -0-	(100.0)
Operating Expense	508,578	569,850	75,000	75,000	(86.1)
Total Expenditures	$508,628	$570,000	$75,000	$75,000	(86.1)
Fund Sources					
Federal & Other Revenue	$508,628	$570,000	$75,000	$75,000	(86.1)

The Beef and Pork Research and Marketing Program's function is to promote effective research into the production and marketing of beef and pork through collection and distribution of funds. Funds derived from a 20 cents per head assessment on swine sold are distributed to the Montana Pork Council. Funds derived from a $1 per head tax on cattle owned are allocated to the Montana Beef Council for distribution to state and national organizations. Starting October 1, 1986 the federal government increased the cattle per head assessment from $.25 to $1.00.

The Montana Pork Council spends funds to conduct promotional programs in cooperation with the National Pork Producers Council, to provide information on all phases of pork production, and to operate a swine testing station at Montana State University. The Montana Pork Council is a non-profit organization which operates on a local level in 12 districts in Montana.

The Montana Beef Council provides funds to the Beef Industry Council of the National Livestock and Meat Board to help national beef programs carried out by the council.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as examined by the 1985 legislature.

Table 6
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
Personal Service	$ 150	$ 50	$ 100
Operating Expense	569,850	508,578	61,272
Total Exp. and Other Funds	$570,000	$508,628	$61,372

The reduction in the program reflects the decreased number of cattle marketed in Montana.

Current Level Adjustments

In fiscal 1987 the Department of Administration has changed the accounting of beef and pork revenues. They are now deposited into an agency fund account which does not require an appropriation. The $75,000 is the administrative costs of collecting the revenue.

PREDATORY ANIMAL CONTROL PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	1.00	1.00	1.00	1.00	0.00
Personal Service	$ 38,623	$ 44,122	$ 40,480	$ 40,696	(1.9)
Operating Expense	142,307	206,874	145,482	146,353	(16.4)
Equipment	4,691	6,200	-0-	-0-	(100.0)
Total Expenditures	$185,621	$257,196	$185,962	$187,049	(15.8)
Fund Sources					
State Special Revenue	$185,621	$257,196	$185,962	$187,049	(15.8)

The Predatory Control Program offers protection to livestock producers by controlling certain types of predators that kill or injure domestic livestock.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 7
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	1.00	1.00	0.00
Personal Service	$ 70,236	$ 38,623	$ 31,613
Operating Expense	226,573	142,307	84,266
Equipment	6,200	4,691	1,509
Total Exp. and State Spec. Rev.	$303,009	$185,621	$117,388

The department eliminated 2.0 FTE when it went to one state helicopter instead of two for predator hunting. Operating expenses were less because the helicopter was new and required less maintenance.

RABIES CONTROL

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	0.00	1.20	0.00	0.00	1.20
Personal Service	$ 100	$ 49,995	$ -0-	$ -0-	(100.0)
Operating Expense	82,890	132,732	82,613	82,613	(23.4)
Total Expenditures	$82,990	$182,727	$82,613	$82,613	(37.8)
Fund Sources					
General Fund	$67,991	$ -0-	$67,613	$67,613	98.9
State Special	14,999	182,727	15,000	15,000	(84.8)
Total Funds	$82,990	$182,727	$82,613	$82,613	(37.8)

ISSUES:	- - - - - - Fiscal 1988 - - - - - - General Fund	Other Funds	- - - - - - Fiscal 1989 - - - - - - General Fund	Other Funds
1. Rabies Control				
Option A: Rep. Gen. Fund	$(67,613)	$67,613	$(67,613)	$67,613
Option B: Ratio Funding	(32,089)	32,089	(32,029)	32,089

The Rabies Control Program exists to prevent exposure of domestic animals and humans to rabid skunks. The objective of the program is to reduce the skunk population in areas that have proven rabies carriers.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 8
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	1.20	0.00	(1.20)
Personal Service	$49,995	$ 100	$49,895
Operating Expense	32,994	82,890	(49,896)
Total Expenditures	$82,989	$82,990	(1)
Funding			
General Fund	$67,989	$67,991	(2)
State Special	15,000	14,999	1
Total Funds	$82,989	$82,990	(1)

For the 1987 biennium the legislature appropriated funds for the salary of the state's veterinarians when they spent time on rabies control. The department did not use a personal services account to pay the veterinarians but instead used a contractual service account. Therefore, in the above table there appears to be an under expenditure of personal services and an overexpenditure in operating expenses.

The general fund financing for this program was replaced with resource indemnity trust interest funds in fiscal 1987. This reduced general funds by $68,841. This replacement will not be continued in the 1989 biennium. Therefore general fund has been built back into the base.

ISSUE 1: RABIES CONTROL

Rabid skunks represent a potential health and safety problem to humans, pets, livestock, and wildlife. The main objective of the Rabies Control Program is to eliminate the rabid skunk population within an area that has proven rabies carriers. When a rabid skunk is identified, the department attempts to eliminate all skunks within a three mile radius. The main weapon which is used to kill the skunks is eggs containing strychnine. In the 1987 biennium the legislature appropriated $82,990 in fiscal 1986 and $182,727 in fiscal 1987. The appropriation for fiscal 1986 was composed of $15,000 from the fishing and hunting general license account and $67,991 of

general fund. The fiscal 1987 appropriation also contained $15,000 from the fishing and hunting general license account and $167,727 of resource indemnity trust interest. The fiscal 1987 appropriation had two parts. First, there was $82,727 for the Rabies Control Program and in Special Session III the legislature appropriated an additional $100,000 to fund a strychnine use study.

The adjustment increasing general fund support for the rabies program occurred in the latter part of the 1985 legislative session. Increased use of fish and game license funds was not considered at that time. Arguments for increased use of fish and game license funds may be found in the Department of Fish, Wildlife and Parks obligation to protect game and human life. A skunk by definition (Section 87-2-101, MCA) is a predatory animal. The Department of Fish, Wildlife, and Parks is authorized by law to "appropriate moneys from the funds (the fishing and hunting license fee fund) at its disposal for the extermination or eradication of predatory animals that destroy fish, game, or fur-bearing animals or game or nongame birds." According to the Department of Livestock the rabid skunk poses a threat of spreading rabies to raccoon, fox, badgers, and other wild animals.

In fiscal 1986 The Department of Fish, Wildlife, and Parks received a budget amendment for a Grizzly Bear Management Program. The purpose of the program was to "reduce grizzly bear/human conflicts which have recently escalated to dangerous levels..." One of the reasons used by the department to justify the program was that the bears were killing livestock (sheep, goats, and cattle) and presenting a potential threat to humans. The budget amendment authorized expenditures of $45,455 of fishing and hunting license fees for this program.

There are a great deal of similarities between the Rabies Program and the Grizzly Bear Management Program. Both are designed to reduce the number of incidents where a wild animal presents a potential safety and health problem for humans and to protect livestock. The main difference in the two programs is how they are funded. The Grizzly Bear Management Program is funded entirely with fishing and hunting license fees, while the Rabies program is financed primarily with general fund. Under the definition of predator, the eradication of rabid skunks qualifies for fishing and hunting license fee funding. The fishing and hunting license fee account had an ending fund balance of $8,681,101 in fiscal 1986.

Option A: Replace the general fund support of the Rabies Control Program with fishing and hunting license fees. The savings to the general fund would be $67,613 per year.

Option B: Return to the fiscal 1985 ratio of funding the program. Fishing and hunting license fees would finance 57 percent, or $47,089 and the general fund would finance 43 percent, or $35,524. This would reduce general fund expenditures by $32,089.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	255.42	$ 9,447,511	$28,362,105
LFA Current Level	234.59	10,198,929	23,131,606
Executive Over (Under) LFA	20.83	$(751,418)	$ 5,230,499

The executive budget has 20.83 FTE and $5,230,499 total funds more than LFA current level. Table A and the following issues reflect the major differences.

Table A
Difference Between Executive Budget and LFA Current Level

	FTE	General Fund	Total Funds
Centralized Services			
1. Funding Switch	0.0	$ 266,000	$ -0-
2. Bond and Grant Position	1.0	-0-	49,336
3. Indirect Funding	0.0	25,000	25,000
Oil and Gas			
4. Position Reduction	2.2	-0-	94,000
5. Micro Filming	0.0	-0-	30,000
Conservation Districts			
6. Replacement of General Fund with RIT Int.	0.0	(699,371)	-0-
7. Rangeland Loan	0.0	-0-	500,000
8. Conservation District Grants	0.0	-0-	188,481
Water Resources			
9. Reserved Water Rights Commission	6.0	229,624	229,622
10. Missouri River Reservation	1.0	-0-	348,765
11. Powder River Negotiations	0.0	-0-	35,500
12. Dam Safety	4.0	-0-	268,015
13. RIT Grant Position	1.0	-0-	50,000
14. Replacement of General Fund with RIT Int.	0.0	(796,917)	-0-
15. State Water Projects	0.0	-0-	4,241,000
16. Vacant Position	(1.37)	(67,000)	(67,000)
17. Engineering Funding	0.0	317,465	-0-
Energy Division			
18. Residential Construction Demonstration	3.0	-0-	484,236
19. Energy Extension Program	2.0	-0-	50,712
20. Technical Assistance	2.0	-0-	145,174
21. Energy Retrofits	0.0	-0-	(1,387,000)
Other Minor Adjustments	0.0	(26,219)	(55,342)
Total Differences	20.83	$(751,418)	$ 5,230,499

ISSUE 1: RESOURCE INDEMNITY TRUST INTEREST

The executive budget uses the resource indemnity trust interest (RIT interest) account to replace general fund in the Conservation Districts and the Water Resources budgets and also in the Department of State Lands' Reclamation Division. LFA current level does not replace general fund with RIT interest because of the 1987 legislative directive that the RIT interest funding shift was for the 1987 biennium only. The executive budget also includes three modifications which are financed with RIT interest. Table B details the executive budget and the LFA current level for RIT interest funds in the 1989 biennium.

Table B
1989 Biennium RIT Interest

Program	Executive Budget	LFA Current Level	Difference
30% Water Development	$3,884,000	$ 4,105,400	$ 221,400
DHES Statutory 6%	777,000	821,080	44,080
6% Superfund	777,000	-0-	(777,000)
RIT 5% Contingency	175,000	-0-	(175,000)
DNRC			
Conservation District	699,371	-0-	(699,371)
Oil and Gas (Well Plugging)	20,000	20,000	-0-
Water Resources	796,917	-0-	(796,917)
Missouri River Reservations	348,765	-0-	(348,765)
Powder River Negotiations	35,500	-0-	(35,500)
Dam Safety	268,015	-0-	(268,015)
RIT Grant Position	50,000	-0-	(50,000)
Reserved Water Rights Compact Commission	229,622	-0-	(229,622)
Dept. of State Lands Reclamation Division	1,211,995	-0-	(1,211,995)
RIT Grant Projects	4,000,000	-0-	(4,000,000)
Clark Fork	180,000	-0-	(180,000)
Unallocated Balance	-0-	9,613,253	9,613,253
Total Expenditures	$13,453,185	$14,559,733	$ 1,106,548

Missouri River Reservation

The executive budget has $348,765 for the completion of the basinwide water reservation on the Missouri River Basin. The request includes one position at $30,290. In 1985 the legislature appropriated $70,000 for the 1987 biennium for water reservation on the Missouri River above Canyon Ferry Dam. The majority of the funds would be contract services to assist conservation districts and municipalities in applying for water reservations.

Powder River Negotiation

The executive budget has a $35,500 biennial appropriation to continue the negotiation with Wyoming over the level of pollutants and the salinity of the water flowing into Montana from Wyoming. This recommendation continues a program started in the 1987 biennium. RIT interest is the funding source of this proposal.

Dam Safety

The executive budget has 3.0 FTE in fiscal 1988 and 4.0 FTE in fiscal 1989 to administer the dam safety act. In the 1987 biennium the legislature approved 1.0 FTE to start the program. The budget request is for $127,563 in fiscal 1988 and $140,452 in fiscal 1989. Fiscal 1986 expenditures were $3,141. The recommended fund source is RIT interest.

Resource Indemnity Trust Interest Grant Position

In the 1987 biennium the legislature authorized 3.0 FTE for administering the resource indemnity trust interest grant program. The department filled one of the positions and the other two have remained vacant. The executive budget continues the funding of the grant position in 1989 biennium with approximately $50,000 RIT interest. This position is not included in LFA current level.

CENTRALIZED SERVICES

ISSUE 2: BONDS AND GRANT POSITION

The executive budget includes a new FTE to handle all accounting functions in relation to water development bond sales and audits of all department grants and loans. The position would be financed with state special revenue funds and indirect funds and is budgeted at $49,336 for the biennium.

ISSUE 3: CENTRALIZED SERVICES FUNDING

The executive budget has $266,000 more general fund than the LFA current level. The method in allocating administrative expenses is the cause of the $266,400 difference. The LFA current level is based upon the fiscal 1986 allocation of administrative funding. In fiscal 1986 general fund financed 68.4 percent of administrative costs. This 68.4 percent was used in the LFA current level. In the executive budget the general fund finances 83.4 percent of administrative costs.

ISSUE 4: INDIRECT FUNDING

In fiscal 1989 the executive budget is recommending a $25,000 reduction in federal indirect funds be replaced with general fund. The LFA current level has reduced operating expenses by $25,000 instead of replacing the federal funds with general fund.

OIL AND GAS REGULATIONS

ISSUE 5: OIL AND GAS POSITIONS

The LFA current level has 2.2 fewer FTE than the executive budget. The positions were eliminated in fiscal 1987 because oil and gas revenues were not sufficient to fund them. The LFA has continued those reductions of approximately $47,000 a year in the 1989 biennium.

The executive budget also includes $30,000 for microfilming agency records. This was a new direction for recordkeeping which was not included in the LFA current level.

CONSERVATION DISTRICTS

ISSUE 6: RANGELAND LOAN PROGRAM

The executive budget includes a recommendation for a $500,000 rangeland loan appropriation. LFA current level does not contain an appropriation of rangeland loans because the disbursement of funds is in the form of loans and not expenditures. Therefore an appropriation is not needed.

ISSUE 7: CONSERVATION GRANTS

The executive budget contains $220,000 in fiscal years 1988 and 1989 for conservation districts grants and the LFA current level has $122,734 in fiscal 1988 and $128,785 in fiscal 1989. The $188,481 difference in expenditures is based on differing revenue estimates for the coal severance tax.

WATER RESOURCES AND PLANNING

ISSUE 8: RESERVED WATER RIGHTS COMPACT COMMISSION

The executive budget continues the Reserved Water Rights Compact Commission (RWRCC) into the 1989 biennium (refer to Issue 1 in the Water Resources portion of this report for more information). The LFA current level had not included the RWRCC because the enabling legislation sunsets on July 1, 1987. The executive proposes an appropriation of $459,246 with 50 percent financed with general funds and 50 percent with resource indemnity trust interest.

In fiscal 1986 the RWRCC expended $201,834 of which $65,501 was general fund and $136,333 was RIT interest. The executive budget represents a general fund increase of 75.4 percent. The overall program is recommended for a 13.4 percent increase if the executive recommendation is adopted.

ISSUE 9: STATE WATER PROJECTS

The executive budget includes $4,241,000 for state water projects. The executive recommendation is funded by $800,000 of water development funds and $3,441,000 of federal funds. The LFA current level does not include any funding for state water projects.

ISSUE 10: VACANT POSITION

The executive budget has eliminated 1.37 FTE (0.25 typist, 0.12 administrative aide, and 1.0 programmer analyst) which were vacant in fiscal 1987 for an annual saving of approximately $33,500 general fund.

ISSUE 11: ENGINEERING FUNDING

In Special Session III the legislature replaced the general fund financing of the Engineering Bureau with water development funds. LFA current level continues that legislative policy in fiscal 1988. This creates a funding difference with the executive budget of $317,465. The executive budget has not used the water development funds but has used $317,465 general fund.

ENERGY DIVISION

ISSUE 12: FEDERALLY FUNDED ENERGY PROJECTS

The executive budget includes three federally funded programs in the 1989 biennium budget. The three programs would require 7.0 new FTE. The programs are: 1) Residential Construction Demonstration - $220,194 in fiscal 1988, $264,042 in fiscal 1989; 2) Energy Extension Program - $15,000 a year (the Executive Budget recommends $25,377 in fiscal 1988 and $25,335 in fiscal 1989 for this program. The DNRC has indicated that the revised amounts for the program are $15,000 per year); and 3) Technical Assistance Program - $72,639 in fiscal 1988 and $72,535 in fiscal 1989.

ISSUE 13: ALTERNATIVE ENERGY GRANTS

The executive budget has recommended that oil overcharge revenues be used to finance the grants and loans programs administered by the Energy Division. The executive proposal recommended that the oil overcharge funds be appropriated in a separate appropriation bill. This recommendation of using a separate appropriation bill creates a $1,387,000 difference between the executive budget and the LFA current level. The LFA current level had budgeted $1,585,000 of alternative energy funds for energy conservation maintenance (retrofit) of state buildings while the executive budget has only $198,000. In a different appropriations bill a $2,000,000 program is recommended for energy conservation maintenance of state buildings.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	260.79	252.79	232.59	234.59	(18.20)
Personal Service	$ 6,507,257	$ 6,326,740	$ 6,158,924	$ 6,203,727	(3.7)
Operating Expense	2,869,914	3,777,020	5,045,878	3,200,248	24.0
Equipment	196,424	49,767	86,125	63,783	(39.1)
Total Operating Costs	$ 9,573,595	$10,153,527	$11,290,927	$ 9,467,758	5.2
Non-Operating Costs	1,475,662	5,619,683	1,188,338	1,184,583	(66.6)
Total Expenditures	$11,049,257	$15,773,210	$12,479,265	$10,652,341	(13.8)
Fund Sources					
General Fund	$ 4,416,063	$ 4,059,452	$ 5,107,248	$ 5,091,681	20.3
State Special	5,414,932	6,412,404	4,714,321	4,699,885	(20.4)
Federal Revenue	1,218,262	5,301,354	2,657,696	860,775	(46.0)
Total Funds	$11,049,257	$15,773,210	$12,479,265	$10,652,341	(13.8)

The Department of Natural Resources and Conservation is responsible for the maintenance and enhancement of Montana's land, water, and energy resources.

Water is a major concern of the department, including administration of water rights, permits, and records; management of state-owned water projects; dam safety; weather modification permits and licenses; international, interstate, and Indian compact negotiations and agreements; water-related studies and planning; floodplain management; and provision of technical and financial assistance for development of water and other renewable resource projects.

Supervision, assistance, funding, and coordination are provided for local conservation and grazing districts in their stewardship of the soil and water resources necessary to sustain agriculture. Activities include regulation of projects affecting streams, assistance for small watershed projects, soil survey planning, and provision of low-interest loans for rangeland improvement.

Energy is a third area of department concern. Proposed major generation, conversion, and transmission facilities are evaluated, and the construction and operation of approved facilities are monitored. Other activities involve petroleum fuels monitoring, special studies concerning energy supplies and demand, and emergency energy planning. Several programs promote energy conservation, while grants and loans are provided for projects involving renewable energy sources. Finally, the production of oil and gas is regulated to prevent waste and guard against environmental damage.

The department consists of five divisions: Centralized Services, Oil and Gas Conservation, Conservation Districts, Water Resources, and Energy. The Board of

Natural Resources and Conservation acts in an advisory capacity to the department. The seven-member board is appointed by the Governor.

Below are major changes which explain the difference between the 1987 biennium and the 1989 biennium.

Centralized Services: Four FTE (the deputy director (fiscal 1988 only) 1.0 FTE, receptionist 0.5 FTE, library technician 1.0 FTE, technical writer I 1.0 FTE, and a technical writer 0.5 FTE) were eliminated. A lawyer II position was transferred from the Water Resources Division to Centralized Services.

Oil and Gas Division: Because of the depressed price for oil, the number of wells being drilled has declined. The revenue for the division has dropped with the depressed price of oil and gas, and because of the lower volume of oil and gas extracted from the ground. In fiscal 1987, the division reduced 2.2 FTE because of the drop off in work and revenues. The current level maintains those personnel cuts.

Conservation Districts: In fiscal 1987, $196,846 was appropriated for rangeland loans. In the 1989 biennium, an appropriation is not needed since the funds are loaned rather than expended.

Water Resources Division: There is a reduction of 12 FTE in the current level for the Water Resources Division. Six of the positions were eliminated because the Reserved Water Rights Commission is legislatively supposed to conclude their work by July 1987. Therefore, these positions were not continued into the 1989 biennium. Two positions added in appropriation bills other than House Bill 500 were eliminated from the base. These included one position for dam safety and one position to work on the reserved water rights in the Upper Missouri Basin. Also reduced from the base, were four positions added by House Bill 922 to administer the Resource Indemnity Trust Grant Program.

In the 1987 biennium, the legislature appropriated $4,100,000 for Middle Creek. This appropriation appears in the fiscal 1987 column because no funds were expended in fiscal 1986. This and the continuation of the ($800,000) biennial appropriation for state water projects are the main reasons for the $4,578,924 in non-operating expenses in fiscal 1987.

Energy Division: In the Energy Division there were three major appropriations which were not totally expended. First, the legislature appropriated $1,650,000 for Rock Creek mitigation. None of this appropriation was expended. Second, the legislature appropriated $2,392,156 from the alternative energy account for energy saving projects while only $1,474,690 was expended. Also $1,000,000 for environmental impact statements and major facility siting services was not totally expended. In fiscal 1986 only $162,000 was expended.

The Department of Natural Resources and Conservation has four state special revenue funds which finance a significant portion of the department. These funds are the Resource Indemnity Trust Interest Fund (RIT interest), the Water Development Fund, the Renewable Resources Development Fund, and the Alternative Energy Fund. Following is a brief description of each of the funds. The description includes the purpose for which the fund was created and the taxes or fees which are deposited into the fund. Also included is a table for each fund which details the projected revenues and expenditures for fiscal 1987 and the 1989 biennium.

RESOURCE INDEMNITY TRUST INTEREST

The resource indemnity trust tax is levied at a rate of $25 plus 0.5 percent on the gross value of mineral production. It is due on March 1 for production in the previous calendar year and is deposited to the RIT trust, which is a nonexpendable trust established in the Montana constitution. In the 1987 biennium, the interest earnings from the trust are allocated 30 percent to the water development account and 6 percent to be used as state matching funds for the federal Superfund program. An additional $10,165,734 is allocated in House Bills 500, 952, and 922 as amended by the June 1986 special session of the legislature.

Under current law, the allocations to the water development and Superfund match accounts will remain in effect in the 1989 biennium. The only statutory direction for the expenditure of the remaining funds is that the funds "shall be used and expended to improve the total environment and rectify damage thereto" and "that future appropriations from the resource indemnity trust interest account not be made to fund general operating expenses of state agencies." (Section 15-38-203, MCA)

Trust fund income in the 1987 biennium has come from interest earned on trust fund securities and premiums paid on bond calls. Bond premiums are projected to add $591,000 to trust fund income in fiscal 1987. Bond calls are projected to subside by the end of fiscal 1987, so that bond premiums will not be a significant source of revenue in the 1989 biennium. Trust fund income will fall in fiscal 1988 as a result.

As Table 1 shows, $9.6 million is available for RIT grant projects or other legislative appropriation after current level allocations have been met.

Table 1
Resource Indemnity Trust Interest
Fiscal Years 1987 - 1989

	Fiscal 1987	Fiscal 1988	Fiscal 1989
Beginning Balance	$2,001,373	$ 875,068	$ 5,086,751
Revenue	6,763,375	6,596,380	7,088,285
Total Funds Available	$8,764,748	$7,471,448	$12,175,036
Expenditures			
30% Water Development	$2,029,013	$1,978,914	$ 2,126,486
6% Hazardous Waste	405,802	395,783	425,297
Agency Operations	1,648,964	10,000	10,000
House Bill 952	168,985	-0-	-0-
RIT Grant Program	3,636,916	-0-	-0-
Total Appropriations	$7,889,680	$2,384,697	$ 2,561,783
Ending Fund Balance	$ 875,068	$5,006,751	$ 9,613,253

RENEWABLE RESOURCES DEVELOPMENT FUND

The Renewable Resources Development (RRD) Fund, provided for in Section 90-2-101, MCA, is to be used for developments in the public interest of renewable natural resources. The fund contributes to acceptable projects in the form of loans and grants. The fund receives 0.475 percent of the coal severance tax.

Table 2 shows the disposition of funds from the RRD fund in the 1989 biennium.

Table 2
Renewable Resource Development Account
Fiscal Years 1987 - 1989

	Fiscal 1987	Fiscal 1988	Fiscal 1989
Beginning Balance	$1,682,522	$ 693,867	$ 789,517
Revenues			
Coal Tax Renewable Resource Development	$ 417,015	$ 306,836	$ 321,963
Interest on Bond Proceeds	54,025	10,000	10,000
Loan Repayments	27,525	64,053	64,053
Total Revenues	$ 498,565	$ 380,889	$ 396,016
Total Funds Available	$2,181,087	$1,074,756	$1,185,533
Expenditures			
Debt Service	$ 154,216	$ 148,309	$ 142,403
DNRC - Centralized Services	6,450	6,330	6,302
- Water Resources Division	61,750	65,000	65,000
- Conservation Districts	63,975	65,600	65,600
Renewable Resource Development Projects	1,200,829	-0-	-0-
Total Expenditures	$1,487,220	$ 285,239	$ 279,305
Ending Fund Balance	$ 693,867	$ 789,517	$ 906,228

Statutory Allocation of 1989 Biennium Revenues

Timber Stand Improvement	15%	$135,934
Water Development Projects	40%	362,491
Conservation Districts	10%	90,624
Montana Rangeland Resource	15%	135,934
Agricultural Land Improvement	15%	135,934
DNRC Designated Projects	5%	45,311
Total Revenues		$906,228

WATER DEVELOPMENT FUND

The Water Development Fund was created in 1981 to advance the beneficial use of water through financing water development projects and activities. Revenue sources for the fund include 30 percent of RIT interest, 0.475 percent of the Coal Severance Tax, and income from state owned water projects.

Operating expenses in the DNRC and the Water Courts are supported with Water Development funds in the 1989 biennium. Remaining funds are available for water projects appropriations. Table 3 details the revenue and expenditures of the Water Development Fund.

Table 3
Water Development Account
1989 Biennium

	Fiscal 1987	Fiscal 1988	Fiscal 1989
Beginning Balance	$2,811,484	$ 216,214	$ 829,612
Revenues			
Coal Tax Water Development	$ 417,015	$ 306,836	$ 321,963
30% RIT Interest Earnings	2,029,012	1,978,914	2,126,486
Loan Repayments	260,700	365,000	365,000
Project Revenues	220,000	220,000	220,000
Interest on Bond Proceeds	68,200	50,000	50,000
Administrative Fees	2,500	25,000	25,000
Total Revenues	$2,997,427	$2,945,750	$3,108,449
Total Funds Available	$5,808,911	$3,161,964	$3,938,061
Expenditures			
Debt Service	$ 581,681	$ 565,311	$ 607,796
Water Courts	548,910	468,684	468,246
DNRC - Centralized Services	110,628	107,609	107,128
- Water Res. Div. Operations	1,254,807	1,190,748	1,181,120
- State Water Projects	421,174	-0-	-0-
Water Development Projects	2,675,497	-0-	-0-
Total Expenditures	$5,592,697	$2,332,352	$2,364,290
Ending Fund Balance	$ 216,214	$ 829,612	$1,573,771

ALTERNATIVE ENERGY FUND

The Alternative Energy Fund was created in Section 90-4-101 thru 112, MCA. The fund was established "to stimulate research, development, and demonstration of energy conservation and of energy sources which are harmonious with ecological

stability by virtue of being renewable..."; and "to stimulate the commercialization of alternative renewable energy and to allow the department (DNRC) to make loans through financial institutions in Montana".

The fund receives 1.71 percent of the Coal Severance Tax plus interest and principal payment from loans. Table 4 details the revenue and expenditures of the fund.

Table 4
Alternative Energy Account Fund Balance
Fiscal Years 1987, 1988 and 1989

	Fiscal 1987	Fiscal 1988	Fiscal 1989
Fund Balance from Prior Year	$1,646,200	$ (188,000)	$ (6,897)
Revenue Estimate			
Coal Tax	$ 834,000	$1,104,608	$1,159,068
Loan Repayments	175,000	277,000	277,000
Total Revenues	1,009,000	1,381,608	1,436,068
Total Funds Available	$2,655,200	$1,193,608	$1,429,171
Expenditures			
Dept. of Commerce: Science & Tech.	$1,644,000	$ -0-	$ -0-
DNRC: Centralized Services	46,600	100,816	100,365
Alternative Energy	802,600	1,099,671	1,092,586
Transfer to General Fund	350,000	-0-	-0-
Total Expenditures	$2,843,200	$1,200,487	$1,192,951
Projected Year End Balance	$ (188,000)	$ (6,879)	$ 236,220

CENTRALIZED SERVICES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	42.50	43.00	40.00	41.00	(2.00)
Personal Service	$1,123,393	$1,134,523	$1,111,567	$1,156,970	(0.5)
Operating Expense	466,588	330,812	427,543	376,735	0.9
Equipment	35,475	3,097	4,775	3,275	(79.1)
Total Expenditures	$1,625,456	$1,468,432	$1,543,885	$1,536,980	(0.4)
Fund Sources					
General Fund	$1,117,902	$ 996,934	$1,059,111	$1,054,318	(0.1)
State Special	337,844	281,667	323,593	322,201	2.6
Federal Revenue	169,710	189,831	161,181	160,461	(10.5)
Total Funds	$1,625,456	$1,468,432	$1,543,885	$1,536,980	(0.4)

ISSUES:	- - - - - - Fiscal 1988 - - - - - General Fund	Other Funds	- - - - - - Fiscal 1989 - - - - General Fund	Other Funds
1. Indirect Cost	$(310,240)	$310,240	$(310,240)	$310,240

The Centralized Services Division provides managerial and administrative support services for the department. The division is responsible for budgeting, accounting, purchasing, data processing, publications, and inventory support.

The reduction of 3.0 FTE in fiscal 1988 is caused by the following:

1. Elimination of the deputy director for fiscal 1988.
2. Elimination of a cartographer and two technical writers (2.5 FTE).
3. Reduction of a secretary receptionist from full-time to part-time (0.5 FTE).
4. Transfer in of an attorney from the Water Resources Division.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 5
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	42.50	42.50	0.00
Personal Service	$1,160,693	$1,123,393	$37,300
Operating Expense	516,553	466,588	49,965
Equipment	26,822	35,475	(8,653)
Total Expenditures	$1,704,068	$1,625,456	$78,612
Funding			
General Fund	$1,171,167	$1,117,902	$53,265
State Special	360,710	337,844	22,866
Federal Revenue	172,191	169,710	2,481
Total Funds	$1,704,068	$1,625,456	$78,612

The unspent balance in personal services is partially caused by the deputy director position being vacant for a portion of fiscal 1986.

Current Level Adjustments

Current level includes the reduction of 3.0 FTE eliminated in the fiscal 1987 5 percent reduction. The reduction included a part-time receptionist, a library technician, and 1.5 FTE technical writer positions. Also, the position of deputy director is being filled by a federal employee from the Bureau of Land Management. The department has a two year contract which will end at the end of fiscal 1988. The current level resumes funding for the deputy director in fiscal 1989.

In fiscal 1986 the department moved from a privately rented building to the Metcalf Building. Included in the fiscal 1986 expenditures was $148,992 for rent of a privately-owned facility, $12,202 for utilities, and $17,282 for moving expenses. These expenditures, which total $178,476, have been eliminated from the current level. The current level has been increased by $93,994 for the full year cost of the Metcalf Building. Therefore, the current level is $84,482 less than fiscal 1986 from these adjustments.

The reduction in operating expenses between fiscal 1988 and 1989 is because audit fees ($28,800) are appropriated for the biennium in fiscal 1988, and because of a general reduction in operating expenses which corresponds to a $25,000 reduction in available federal funds.

The current level funding shares were determined by applying the same shares of each fund as was expended for centralized services in fiscal 1986 to the current level base for the 1989 biennium. Table 6 details the percentages used by fund source.

Table 6
Fund Percentage of Centralized Services

Fund	Percentage
General Fund	69.16
Oil and Gas Fund	3.64
Grazing Fees	0.03
Cons. Dist: Coal Sev.	0.71
Renewable Resources	0.41
Water Rights	0.24
Water Development	7.03
Facility Siting	1.67
Alternative Energy	6.58
Federal	10.53
Total	100.00

ISSUE 1: INDIRECT COSTS

The department has an indirect cost formula which it applies to federal funds. The basis of the formula is the ratio of the cost of centralized services as a percentage of the rest of the department's expenditures. There are some minor adjustments to this ratio which include deducting insurance, equipment, transfers, and capital outlay cost from the calculation. Using this ratio to obtain an indirect cost formula for fiscal 1988, an indirect rate of 17.94 percent is established. Table 7 details the calculation of 17.94 percent.

Table 7
Calculation of Indirect Ratios
Centralized Services Fiscal 1988 Current Level Budget

Indirect Costs	Total	Unallowable	Bases for Indirect Costs
Personal Services	$ 1,111,567	$ -0-	$1,111,567
Operating Expenses	427,543	32,553	394,990
Equipment	4,775	4,775	-0-
Total Indirect Costs	$ 1,543,885	$ 37,328	$1,506,557
Rangeland Loan Fund			(12,500)
Total Allowable Costs			$1,494,057
Allocation Base			
Oil and Gas Div.	$ 750,173	$ (11,253)	$ 738,920
Conservation Dist.	549,589	(200)	549,389
Water Resource Div.	4,629,853	(140,743)	4,489,110
Energy Division	4,207,038	(1,655,224)	2,551,814
Total Base	$10,136,653	$(1,807,420)	$8,329,233

$$\text{Indirect Ratio} = \frac{\$1,494,057}{\$8,329,233} = 17.94\%$$

This indirect ratio can be applied to all the department's programs to determine their fair share of departmental administrative costs.

Table 8 was developed to illustrate the cost which each of the various state special revenue funds would be assessed if the indirect ratio were applied. The indirect was applied to fiscal 1986 facility siting expenses because the amount in the fiscal 1988 base is an overstated estimate of potential projects.

Table 8
A 17.94 Percent Indirect Rate Charge Against State Special Revenue Account

Fund	Adjusted Base	Indirect Ratio 17.94%	Current Assessment	Difference
General Fund	$3,966,789	$ 748,871*	$1,059,111	$(310,240)
RIT Interest	10,000	1,794	-0-	1,794
Oil and Gas Fund	728,920	130,750	55,734	75,016
Grazing Fees	6,000	1,076	463	613
Cons. Dist: Coal Sev.	122,734	22,015	10,807	11,208
Renewable Resources	130,600	23,426	6,330	17,096
Cons. Dist.: Fed.	2,703	485	515	(30)
Water Rights	75,000	13,453	3,705	9,748
Water Development	1,152,745	206,775	107,608	99,167
Water Wells	30,000	5,381	-0-	5,381
Facility Siting	162,000	29,059	25,628	3,431
Alternative Energy	1,097,930	196,941	100,816	96,125
Fed: Energy	801,012	143,682	152,518	(8,836)
Fed: Water	42,800	7,677	8,150	(473)
Total	$8,329,233	$1,531,385	$1,531,385	$ (-0-)

*Includes $37,328 of unallowable costs (see Table 7).

If the state special revenue funds were all charged 17.94 percent the general fund could be reduced $310,240.

Option A: Charge all state special revenue accounts 17.94 percent for indirect costs to save general fund of $310,240 a year.

Option B: Maintain the current distribution of costs. No general fund savings.

OIL AND GAS CONSERVATION DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	24.00	22.00	19.80	19.80	(2.20)
Personal Service	$574,512	$568,885	$520,762	$520,940	(8.9)
Operating Expense	208,105	265,261	216,607	217,155	(8.4)
Equipment	33,917	28,700	10,434	7,592	(71.2)
Total Operating Costs	$816,534	$862,846	$747,803	$745,687	(11.1)
Non-Operating Costs	1,954	-0-	3,170	2,905	210.9
Total Expenditures	$818,488	$862,846	$750,973	$748,592	(10.8)
Funding Source					
State Special	$818,488	$862,846	$750,973	$748,592	(10.8)

The Oil and Gas Conservation Division is responsible for preventing waste and providing for the conservation of crude oil and natural gas through regulation of exploration and production activities, including issuance of drilling permits, classification of wells, establishment of well spacing units and pooling orders, inspection of drilling, production and seismic operations, investigation of complaints, engineering studies, and collecting and maintaining complete well data and production information.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 9
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	24.00	24.00	0.00
Personal Service	$618,526	$574,512	$ 44,014
Operating Expense	295,022	208,105	86,917
Equipment	29,166	33,917	(4,751)
Total Operating Costs	$942,714	$816,534	$126,180
Non-Operating Expenses	-0-	1,954	(1,954)
Total Exp. and State Spec. Rev.	$942,714	$818,488	$124,226

The division underspent its authorization because of the drop in oil and gas revenues. During fiscal 1986, there was 2.12 FTE vacant the entire year which is why personal costs and operating expenses were not fully expended.

Current Level Adjustments

The current level base has 4.2 FTE positions eliminated from fiscal 1986. First, 2.0 FTE positions were eliminated in the fiscal 1987 5 percent reduction. This elimination is carried into fiscal 1988. Second, on August 1, 1986 the division implemented a reduction in force by not filling two positions and reducing the hours on a third by 0.2 FTE. These reductions were taken as a result of a decline in oil and gas exploration. The current level base has continued this 2.2 FTE reduction.

In operating expenses the current level includes $10,000 RIT interest funds for well plugging. This equals the amount appropriated in fiscal 1986.

The current level includes $6,500 for a personal computer in each year of the biennium and $2,400 for a high speed printer in fiscal 1988.

CONSERVATION DISTRICTS DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	5.20	5.20	5.20	5.20	0.00
Personal Service	$138,316	$137,995	$140,454	$140,297	1.6
Operating Expense	115,533	378,371	116,201	116,311	(52.9)
Equipment	1,080	250	200	200	(69.9)
Total Operating Costs	$254,929	$516,616	$256,855	$256,808	(33.4)
Non-Operating Costs	395,575	315,000	292,734	298,785	(16.7)
Total Expenditures	$650,504	$831,616	$549,589	$555,593	(25.4)
Fund Sources					
General Fund	$ -0-	$340,923	$352,552	$352,505	106.8
State Special	648,362	487,990	194,334	200,385	(65.2)
Federal Revenue	2,142	2,703	2,703	2,703	11.6
Total Funds	$650,504	$831,616	$549,589	$555,593	(25.4)

The Conservation Districts Division provides supervision, assistance, and coordination to the 59 conservation districts in the state. The primary responsibility of the division is to work with the local district towards developing and implementing plans for proper management of land and water resources. Three advisory committees: the Resource Conservation Advisory Committee, the Soil Survey Advisory Committee, and the Rangeland Resources Committee are administratively attached to the conservation district supervisor's office.

The apparent drop in operating expenses is due to the inclusion of $194,990 in fiscal 1987 for rangeland improvement loans. These loans are not included in expenditures in fiscal 1986 actual or budgeted fiscal 1988 or 1989 because they are loans rather than expenditures.

The division provides legal assistance, advice about the formation and operation of grazing districts, and assistance in the development of land use plans to local grazing districts. The grazing districts are charged a fee for those services. The department sets the fee in an amount not to exceed 15 cents per animal unit. The grazing districts currently contribute five cents per animal unit for this assistance.

The division administers the Rangeland Improvement Loan Program. The Rangeland Improvement Loan Program is funded from 15 percent of the revenues to the renewable resources development fund, which is supported by 0.475 percent of the coal severance tax. The loans or grants made from this fund are allowed for land, water, timber, fish, wildlife, or other renewable resources of the state. The division staff analyze and approve loan and grant applications. Local input is provided by the Rangeland Resources Advisory Council. However, the council is strictly advisory, and the division staff make the final decisions. A dollar amount for these loans is not included in current level figures because they are loans rather than expenditures. At the end of fiscal 1986, there was approximately $300,000 in a reserve account to be loaned out. For fiscal 1988 an additional $45,000 should be generated from the Renewable Resource Fund for this program. In fiscal 1989, the estimated amount to be generated is $48,840.

The division also administers the Conservation District Grant Program, which is funded by 0.19 percent of the coal severance tax. The grants are distributed based on need, but only after a conservation district has exhausted the funds from its mill levy. The current level includes $122,734 in fiscal 1988 and $128,785 in fiscal 1989 for grants.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 10
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	5.20	5.20	0.00
Personal Service	$136,742	$138,316	$(1,574)
Operating Expense	119,308*	115,533	3,775
Equipment	9,827	1,080	8,747
Total Operating Costs	$265,877	$254,929	$10,948
Non-Operating Costs	395,000	395,575	(575)
Total Expenditures	$660,877	$650,504	$10,373
Funding			
State Special	$658,270	$648,362	$ 9,908
Federal Revenue	2,607	2,142	465
Total Funds	$660,877	$650,504	$10,373

*In fiscal 1986, the legislature appropriated $176,395 for rangeland improvement loans. For the fiscal year, the department loaned $29,740 in funds. This amount is not included in this table.

Current Level Adjustments

Funding for Conservation District Division is shown in Table 11.

Table 11
Funding for the Conservation District Division
1989 Biennium

Program	Funding Source	FY 88	FY 89
Administration	Gen. Fund, Federal & Grass Conservation	$191,255	$191,208
Watershed Planning	Renewable Resource Development	65,600	65,600
Conservation District Subsidy	General Fund	95,000	95,000
Saline Seep	General Fund	75,000	75,000
Conservation District Grants	Coal Tax	122,734	128,785
Total		$549,589	$555,593

Included in the current level is $63,500 for contracts with local conservation districts for watershed planning. As in previous fiscal years, this contract has been funded with Renewable Resources Development Funds. The $63,500 has been taken

before the fund is allocated according to the percentages established in Section 90-2-113, MCA.

In fiscal 1986 the legislature authorized $75,000 for saline seep projects. The appropriation was funded by Resource Indemnity trust Interest. Continuation of this project in the 1989 biennium is included in the current level base.

Included in the current level base is $95,000 of general fund for administration of the conservation offices.

WATER RESOURCES DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	148.09	148.59	136.59	136.59	12.00
Personal Service	$3,545,540	$3,529,282	$3,466,693	$3,466,173	(2.0)
Operating Expense	1,367,874	1,270,150	1,002,661	1,000,572	(24.1)
Equipment	103,616	14,470	65,492	47,492	(4.3)
Total Operating Costs	$5,017,030	$4,813,902	$4,534,846	$4,514,237	(8.0)
Non-Operating Costs	66,652	4,578,924	69,934	70,393	(97.0)
Total Expenditures	$5,083,682	$9,392,826	$4,604,780	$4,584,630	(36.5)
Fund Sources					
General Fund	$2,900,726	$2,277,125	$3,201,230	$3,190,709	23.4
State Special	2,148,525	2,972,901	1,360,750	1,351,121	(47.0)
Federal Revenue	34,431	4,142,800	42,800	42,800	(98.0)
Total Funds	$5,083,682	$9,392,826	$4,604,780	$4,584,630	(36.5)

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Reserved Water Rights Comm.	$200,000	$ -0-	$200,000	$-0-

The Water Resources Division is responsible for many programs associated with the uses, development, and protection of Montana's water. These programs include the following:

Floodplain Management Program--responsible for determining the floodways and one hundred-year floodplain boundaries for every water course and drainway in the state. Concurrent with this primary function is the management and regulation of flood-prone lands to prevent or alleviate flood threats to life and property.

Water Rights Program--responsible for carrying out Article IX of the State Constitution and the Montana Water Use Act, which provides that any use of the

state's waters is a public use, and that waters in the state are the property of the state, for the use of the people, and are subject to appropriations for beneficial use.

Water Adjudication Program--responsible for the protection and confirmation of all rights to the use of any waters for any useful or beneficial purpose that existed prior to the effective date of the Montana Water Use Act of July 1, 1973.

Water Engineering--responsible for providing engineering assistance to state water user associations, and promoting safety and economic stability of state-owned water projects through professional engineering services.

Water Management Program--responsible for providing technical information and assistance on hydrology, geohydrology, geology, and soils to water users and units of government, and for the collection, compilation and analysis of water and related land resources data, projection of future water requirements, and formulation of plans, alternatives and methods of implementation to enable full utilization of these resources within the state.

Water Development Program--responsible for administration of the state's Water Development and Renewable Resource Development Programs to allow full economical and social benefits from the state's water and other renewable resources.

The increase in non-operating costs for fiscal 1987 is caused by the inclusion of one-time appropriations for Middle Creek of $4,100,000 and $75,000 for Cooney Dam.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 12
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	142.59	148.09	5.50
Personal Service	$3,412,054	$3,520,269	$(108,215)
Operating Expense	1,184,852	1,352,984	(168,132)
Equipment	39,844	103,616	(63,772)
Total Operating Costs	$4,636,750	$4,976,869	$(340,119)
Non-Operating Costs	450,178	66,652	383,526
Total Expenditures	$5,086,928	$5,043,521	$ 43,407
Funding			
General Fund	$2,901,916	$2,900,726	$ 1,190
State Special	2,141,609	2,108,364	33,245
Federal Revenue	43,403	34,431	8,972
Total Funds	$5,086,928	$5,043,521	$ 43,407
Additions			
HB 952 - Up. Miss. River Basin	$ 167,500	$ 33,515	$ 133,985
HB 922 - RIT Interest	108,000	6,646	101,354
HB 739 - Water Well Board	13,000	-0-	13,000
Total Additions	$ 288,500	$ 40,161	$ 248,339

For fiscal 1986, it appears as if the Water Resources Division has overspent operating costs and underspent non-operating. In the 1987 biennium, the legislature appropriated $800,000 for state water projects in the non-operating category. For fiscal 1986, the department expended $378,820 of this appropriation and the expenditures were made in operating cost items.

Current Level Adjustments

The current level does not include 12 positions which are in fiscal 1987. First, the Reserved Water Rights Compact Commission is legislatively required to complete their work by July 1, 1987. Therefore, the six positions have been eliminated from the base. In fiscal year 1986, the commission expended $201,834.

Second, 3.0 FTE who were authorized to administer the Resource Indemnity Trust Grant Program are eliminated. One of the positions is currently filled but two of the positions were never filled. The legislature had originally authorized $277,000 to administer the grant program. During Special Session III, this amount was reduced to $108,000.

Third, one position was eliminated who worked on reserved water rights on the Upper Missouri Basin. This position was approved for the biennium in House Bill 952.

Fourth, the department has cut the dam safety position from the current level. This was a new position created in the 1987 biennium to inspect dams for potential problems. The department requested that this position be dropped from current level because they were resubmitting a revised modification for the entire program.

Fifth, one attorney was transferred to Centralized Services to consolidate the legal staff into one unit.

The current level also contains a $4,500 increase in dues for professional organizations.

Table 13 details the programs within the Water Resources Division and their fiscal 1988 current level funding.

Table 13
Water Resources Division Current Level Funding - Fiscal 1988

Program	General Fund	Water Well	Water Dev.	Renewable Resources	Water Right	Fed.	Total
Administration	$ 166,413	$ -0-	$ 99,483	$ -0-	$ -0-	$ -0-	$ 265,896
Water Wells Board	6,526	30,000	-0-	-0-	-0-	-0-	36,526
Water Rights	2,421,096	-0-	-0-	-0-	75,000	-0-	2,496,096
Water Management	607,195	-0-	-0-	-0-	-0-	-0-	607,195
Water Development	-0-	-0-	324,981	65,000	-0-	-0-	389,981
Water Engineering	-0-	-0-	766,286	-0-	-0-	42,800	809,086
Reserved Water Rights Commission	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total	$3,201,230	$30,000	$1,190,750	$65,000	$75,000	$42,800	$4,604,780

In fiscal 1987, the legislature financed the Engineering Bureau entirely with Water Development funds (this was done in Special Session III) and replaced $353,090 of general funds. This funding change approved by the legislature for fiscal 1987 has been built into the current level base for the Engineering Bureau for the 1989 biennium.

The fiscal 1988 current level general fund appears as if it is increasing from $2.9 million to $3.2 million while at the same time overall expenditures are dropping from $5.0 million to $4.53 million. The difference is the following: In fiscal 1986 there was $784,470 of Resource Indemnity Trust interest which offset general fund. This replacement of general funds is not included in the 1989 biennium. The reduction in expenditures from fiscal 1986 to fiscal 1989 is the elimination of the Reserved Water Right Compact Commission, $200,000, and the elimination of funding for state water projects, $378,000.

ISSUE 2: RESERVED WATER RIGHTS COMPACT COMMISSION

The Reserved Water Rights Compact Commission was granted authority by the 1979 legislature to conclude compacts for the equitable division and apportionment of water between the state and the several Indian tribes claiming water within the state. The commission is also authorized to conclude compacts with federal agencies which have claims to reserved water. To date the Compact Commission has concluded one compact with an Indian tribe (Fort Peck) but none with any federal agencies.

State statute (85-2-702, MCA) requires that the Compact Commission resolve all Indian water claims by July 1, 1987. Those Indians claims which are not resolved are to be processed with all other water rights claims in Montana by the Water Court. Therefore the Compact Commission has not been included in the current year base.

Option A: Fund the continuance of the Compact Commission which would require approximately $200,000 and an amendment to the statutory language which sunsets the commission.

Option B: Let the commission expire as reflected in current level.

ENERGY DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	41.00	34.00	32.00	32.00	(2.00)
Personal Service	$1,125,496	$ 956,055	$ 919,448	$ 919,347	(11.7)
Operating Expense	711,814	1,532,426	3,282,866	1,489,475	112.6
Equipment	22,336	3,250	5,224	5,224	(59.2)
Total Operating Costs	$1,859,646	$2,491,731	$4,207,538	$2,414,046	52.2
Non-Operating Costs	1,011,481	725,759	822,500	812,500	(5.9)
Total Expenditures	$2,871,127	$3,217,490	$5,030,038	$3,226,546	35.6
Fund Sources					
General Fund	$ 397,435	$ 444,470	$ 494,355	$ 494,149	17.4
State Special	1,461,713	1,807,000	2,084,671	2,077,586	27.3
Federal Revenue	1,011,979	966,020	2,451,012	654,811	57.0
Total Funds	$2,871,127	$3,217,490	$5,030,038	$3,226,546	35.6

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Facility Siting Bureau				
Option A:	$(44,800)	$44,800	$(89,601)	$89,601
Option B:	(34,000)	34,000	(34,000)	34,000
Option C:	-0-	-0-	-0-	-0-

The Energy Division is responsible for the administration of the Montana Major Facility Siting Act, the Alternative Energy Grant and Loan Program, the Energy Emergency Power Act, and federally sponsored energy conservation programs.

The Major Facility Siting Act is enforced to insure that the location, construction, and operation of transmission, generation, and conservation facilities produce minimal adverse impacts on the people and the environment.

The Alternative Energy Grant and Loan Program awards grants and loans to individuals and organizations for projects that research, develop, demonstrate, or communicate the use of renewable energy sources such as solar, wind, geothermal, water, and biomass.

The division monitors energy supply and demand on an on-going basis to alert the Governor to potential problems and be able to effectively target state emergency response actions in administering the Energy Emergency Powers Act.

The increase in the fiscal 1988 current level operating expense is related to the reappropriation of the Rock Creek mitigation trust fund. There is $1,650,000 in the current level for Rock Creek mitigation trust fund. The Rock Creek mitigation trust fund is an expendable trust fund. The fund was created from a settlement between a number of nature oriented groups and the State of Montana with Bonneville Power. The fund can only be used in the Rock Creek area to do whatever is necessary to lessen the impacts of Bonneville's high tension power line through the Rock Creek area.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 14
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	41.00	41.00	0.00
Personal Service	$1,075,688	$1,019,111	$ 56,577
Operating Expense	4,519,075	690,063	3,829,012
Equipment	15,237	22,296	(7,059)
Total Operating Costs	$5,610,000	$1,731,470	$3,878,530
Non-Operating Costs	1,274,914	967,710	307,204
Total Expenditures	$6,884,914	$2,699,180	$4,185,734
Funding			
General Fund	$ 465,830	$ 397,427	$ 68,403
State Special	3,432,156	1,461,723	1,970,433
Federal Revenue	2,986,928	840,030	2,146,898
Total Funds	$6,884,914	$2,699,180	$4,185,734
Additions			
Budget Amendments	$ -0-	$ 171,947	$ (171,947)

In fiscal 1986, there were three appropriations which were either underspent or not expended at all. First, the legislature appropriated $1,040,000 of facility siting fees for environmental impact statements or major facility siting reviews. In fiscal 1986, only $162,003 was expended. The legislature also authorized $2,392,156 for energy projects. The department only expended $1,474,690 because funds were insufficient.

The third appropriation which was not expended was a $1,650,000 appropriation for Rock Creek mitigation. The department has requested those funds be reappropriated in the 1989 biennium.

Current Level Adjustments

The reduction of 9.00 FTE for fiscal 1986 is caused by the following:

A. One secretarial position and a coal analyst were eliminated in the 5 percent cuts made in fiscal 1987. These reductions are carried into the current level.

B. Two positions in the Renewable Energy Program were eliminated when the program was directed solely to a retrofit of public buildings for energy savings.

C. Three positions are not included in the current level base because they were included in a modification for the Residential Standard Demonstration Program.

D. Two secretarial positions were eliminated because they were part of a 1987 biennium modification that was presented to the legislature as a two-year program.

The current level operating expenses are increased by $2,571,052 from fiscal 1986 to fiscal 1988. The cause of the increase is threefold: First, the facility siting appropriation is $985,000 compared to the $162,003 which was expended in fiscal 1986. This represents an increase in authority of $822,997. In the 1987 biennium the legislature established the practice of over appropriating facility siting authority. This over appropriation is done to reduce the number of budget amendments the department would have to request for facility siting review and environmental impact statements. The second and third reasons for the increase are the reappropriation of the Rock Creek mitigation trust fund ($1,650,000) and the Lake Broadview mitigation fund ($40,000).

The state special revenue funds are alternative energy funds which come from the coal severance tax and facility siting fees which are paid by industry for environmental analysis on an energy facility siting analysis. The federal funds are primarily from the federal Department of Energy.

Table 15 details the 1989 biennium funding by bureau for the Alternative Energy Program.

Table 15
Alternative Energy Program

Fiscal 1988	General Fund	Facility Siting Fees	Alternative Energy	Federal	Trust Funds	Total
Administration	$117,167	$ -0-	$ -0-	$ -0-	$ -0-	$ 117,167
Facility Siting	179,202	985,000		40,000	1,650,000	2,854,202
Energy Planning	197,986	-0-	-0-	-0-	-0-	197,986
Conservation and Renewable Energy	-0-	-0-	1,099,671	761,012	-0-	1,860,683
Total Funding	$494,355	$985,000	$1,099,671	$801,012	$1,650,000	$5,030,038
Fiscal 1989						
Administration	$117,135	$ -0-	$ -0-	$ -0-	$ -0-	$ 117,135
Facility Siting	179,324	985,000	-0-	-0-	-0-	1,164,324
Energy Planning	197,690	-0-	-0-	-0-	-0-	197,690
Conservation and Renewable Energy	-0-	-0-	$1,092,586	$654,811	-0-	1,747,397
Total Funding	$494,149	$985,000	$1,092,586	$654,811	$ -0-	$3,226,546

ISSUE 1: MAJOR FACILITY SITING BUREAU FUNDING

Within DNRC's Energy Division is the Major Facility Siting Bureau, which is responsible for administering two statutes: the Montana Major Facility Siting Act and the Montana Environmental Policy Act.

The Montana Major Facility Siting Act was enacted by the legislature in 1973, and requires that before a power or energy conversion facility can be constructed or begin operations, it must first receive a certificate of environmental compatibility and public need. With the exception of reviewing and evaluating the potential implications to the air and water, which are responsibilities of the Department of Health and Environmental Sciences, DNRC is responsible for all aspects of administering and enforcing the provisions of the act. The Facility Siting Bureau does the assessment of the project's environmental compatibility. To finance the bureau's costs of administering the facility siting act, the legislature authorized the department to collect a "filing fee". Section 75-20-215, MCA, which created the filing fee, states: "A filing fee shall be deposited in the state special revenue fund for the use of the department (DNRC) in administering this chapter." The section goes on to detail the maximum fees which the department can charge in administering the act.

The Major Facility Siting Bureau is also responsible for gathering data and information necessary to compile an environmental impact statement as required in Section 75-1-202, MCA, of the Montana Environmental Policy Act. That act requires that:

> Each agency of state government charged with the responsibility of issuing a lease, permit, contract, license, or certificate under any provision of state law may adopt rules prescribing fees which shall be paid by a person, corporation, partnership, firm, association, or other private entity when an application for a lease, permit, contract, license, or certificate will require an agency to compile an environmental impact statement... The fee assessed under this part shall be used only to gather data and information necessary to compile an environmental impact statement...

To meet the responsibilities for the facility siting act and environmental impact statements, the Major Facility Siting Bureau has five permanent positions and, depending upon the workload, temporary positions as needed. To ensure that the five permanent positions are not put at risk by fluctuating revenues (filing fees), the legislature has appropriated general fund to finance the positions. The temporary positions are financed entirely by project filing fees and are filled only when workload demands.

The main functions of the five permanent positions are to administer and enforce the provisions of the facility siting act and the responsibilities identified in the environmental policy act. Therefore, when one of the permanent positions works on a specific project under one of these acts, their costs are to be billed to that project. The permanent staff also provides administration, rule drafting and updating, and centerline analysis. The first two items are related to the facility siting act and the last item to the environmental policy act. Because these functions are not associated with any one specific project, the department has not tried to recover associated costs with filing fees. However, the statutes are very specific that "a filing fee shall be deposited in the state special revenue fund for use of the department in administering this chapter." and that "the revenues derived from filing fees shall be used by the department in compiling the information required for rendering a decision on a certificate and for carrying out its and the board's other responsibilities under this chapter (emphasis added)." Rule drafting and centerline analysis are responsibilities of the department under the facility siting law and therefore may be funded with fee revenues.

The department has argued that the five positions in facility siting need to be funded with general fund as a safety net in the event there are no projects to charge

their costs against at a particular moment. In reviewing the past three fiscal years, it appears that there has been regular income from fees, but very few projects to which the permanent positions' time has been charged. Table 16 details for fiscal 1984, 1985, and 1986 the bureau's expenditures and the funding sources to which the expenditures have been charged. In each fiscal year, the general fund has financed approximately 50 percent of bureau costs. If the concept that the general fund was only appropriated as a safety net were valid, general fund expenditures should be very minimal, with most of the costs financed with siting fees. The failure to revert general fund provided for the core staff in the presence of substantial fee revenue raises the question of whether the state should maintain a core staff.

Table 16
Facility Siting Bureau Financing

Funding Source	Fiscal 1984	Fiscal 1985	Fiscal 1986
General Fund	$230,309	$203,460	$150,869
Siting Fees	226,016	176,022	162,003
Other Funds	15,881	13,658	18,181
Total Expended	$472,206	$393,140	$331,053
Percent General Fund	48.8	51.8	45.6
Percent Siting Fees	47.9	44.8	48.9

Table 17 is a summary of the revenues and expenditures of siting fees from fiscal years 1984, 1985, and 1986. The table indicates that both the revenues and fund balance have remained relatively constant over this three year period. Revenues have remained at around $200,000 per year while expenses (Table 16) are around $350,000 to $400,000 per year.

Table 17
Siting Fee Account History

	Fiscal 1984	Fiscal 1985	Fiscal 1986
Beginning Balance	$186,941	$161,639	$151,256
Revenue	245,307	192,543	200,228
Total Funds Available	$432,248	$354,182	$351,484
Expenses	$259,617	$180,715	$188,936
Prior Year Adjustments	(10,992)	(22,211)	3,203
Ending Fund Balance	$161,639	$151,256	$165,751

There are a number of options the legislature could consider to eliminate general fund support of this bureau. First, the legislature could phase out the general fund

support over a four-year period. By reducing the general fund support to 75 percent in fiscal 1988, 50 percent in fiscal 1989, 25 percent in fiscal 1990, and 0 percent in fiscal 1991 the general fund support would be eliminated in four years. This option would give the department the opportunity to restructure the fees to fund the entire bureau.

Table 18 details the general fund savings by a four-year phase out of general fund.

Table 18
Phase Out of General Fund Support

	Fiscal 1988	Fiscal 1989	Fiscal 1990	Fiscal 1991
General Fund	$134,402	$ 89,601	$ 44,800	$ -0-
Siting Fees	44,800	89,601	134,402	179,202
Total	$179,202	$179,202	$179,202	$179,202

Another option would be to fund only the personal services of the bureau in the 1989 biennium and have the fees finance the operating expenses and the equipment. This option would coincide with the department's assertion that the general fund is only a safety net to maintain a core staff. This option would save $34,000 of general fund per year.

Option A: Eliminate the general fund financing of the facility siting bureau over a four-year period. This would save $44,800 general fund in fiscal 1988 and $89,601 in fiscal 1989.

Option B: Fund only the personal services of the five staff and fund the operating expenses and equipment costs with facility siting fees. This would save $34,000 of general fund per year.

Option C: Continue the current general fund support.

DEPARTMENT OF AGRICULTURE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	86.67	$3,436,454	$9,064,502
LFA Current Level	83.48	2,770,381	8,318,827
Executive Over (Under) LFA	3.19	$ 666,073	$ 745,675

The executive budget has an additional $666,073 in general funds and $745,675 in total funds over the LFA current level. the Executive Budget also includes 3.19 additional FTE. The differences by program are explained as follows.

ISSUE 1: CENTRALIZED SERVICES: WESTERN ASSOCIATION OF STATE DEPARTMENTS OF AGRICULTURE

The executive budget contains $7,000 general fund for the expenses related to hosting the Western Association of State Departments of Agriculture.

ISSUE 2: CENTRALIZED SERVICES: PERSONAL COMPUTERS

The LFA current level contains $20,750 for two personal computers and other computer equipment which will allows the department to access the state's main computer.

ISSUE 3: WHEAT RESEARCH AND MARKETING: TRAVEL

The difference between the executive budget and the LFA current level is in travel. Because of the poor crop in 1985 the revenues for this program were severely reduced. Therefore travel was reduced to only necessary trips. The LFA has maintained this level of travel in the current year base ($21,000). The Executive Budget has $39,700 for travel or an $18,700 per year increase. This program is financed by wheat and barley research and marketing funds.

ISSUE 4: PLANT INDUSTRY: HEAVY METAL CONTAMINATION

In the executive budget are federal funds (Federal Department of Agriculture) to continue the collection of samples of animal and plant feed ingredients for heavy metal contamination. The executive budget includes $9,332 in fiscal 1988 and $9,582 in fiscal 1989.

ISSUE 5: PLANT INDUSTRY: APPLE GRADER

The executive budget contains 0.19 FTE and $3,288 in fiscal 1988, $3,278 in fiscal 1989, for an apple grader. This position is financed with general fund. The department charges a fee for inspecting and grading produce and the revenues are

deposited in the general fund. The fees do not equal the general fund expenditures for produce inspection. Please refer to Issue 1 in the Plant Industry section of this report.

ISSUE 6: AGRICULTURAL ASSISTANCE PROGRAM

The executive budget includes a modification for continuation of the Agricultural Assistance Program. This program was initiated by the legislature during Special Session II to provide emotional and financial counseling for farmers and ranchers who request assistance. The program also provides a financial mediator if the lender and borrower both agree to mediation.

The program was created by the legislature in March of 1986. As of the first week in December (8 months later) the program has received 494 calls over the emergency toll free phone lines. Table A details the type of calls.

Table A
Agricultural Assistance Program Phone Calls

Type of Call	Number of Calls
Assistance	160
Information	141
Legal	27
Follow-up Request	104
Miscellaneous	62
Total	494

The program has contracts with 23 mediators and 6 financial counselors. As of the first of December there were 26 cases in which mediation is at some stage of progress. There have been 32 financial cases handled.

The LFA did not include this program in the current level base because it was designed and enacted as a temporary program. The enacting legislation sunsets on July 1, 1987 and if it were to be continued the statute would have to be amended.

The executive budget for the Assistance program proposes 3.0 FTE and general funds totaling $292,712 in fiscal 1988 and $292,612 in fiscal 1989. A major component of the budget is $125,000/year for financial and mediation counselors. It also includes $27,800/year for the toll free hot line.

ISSUE 7: BEGINNING FARMER LOAN

The executive budget is requesting boilerplate language to forgive the $197,294 loan from the general fund to the Beginning Farmer Loan Program.

ISSUE 8: PLANT INDUSTRIES: EQUIPMENT

For fiscal 1986, the executive budget includes $12,000 federal funds for the purchase of a van and $14,000 for computer equipment. The LFA did not include the items in current level.

DEPARTMENT OF AGRICULTURE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	93.82	87.81	83.48	83.48	(4.33)
Personal Service	$2,101,424	$2,170,189	$2,124,800	$2,129,106	(0.4)
Operating Expense	710,615	1,328,193	613,090	600,497	(40.5)
Equipment	136,570	90,944	115,595	134,337	9.9
Total Operating Costs	$2,948,609	$3,589,326	$2,853,485	$2,863,940	(12.5)
Non-Operating Costs	556,008	1,064,768	1,300,701	1,300,701	60.5
Total Expenditures	$3,504,617	$4,654,094	$4,154,186	$4,164,641	2.0
Fund Sources					
General Fund	$1,542,157	$1,749,387	$1,401,849	$1,368,532	(15.8)
State Special	793,603	1,121,516	816,004	807,196	(15.2)
Federal Revenue	858,196	1,370,940	1,640,271	1,699,377	49.8
Proprietary Funds	79,330	107,682	38,148	37,824	(59.4)
Expendable Trust	231,331	304,569	257,914	251,712	(4.9)
Total Funds	$3,504,617	$4,654,094	$4,154,186	$4,164,641	2.0

The Department of Agriculture was established by Article XII, Section I of the Montana Constitution. It is designed to encourage and promote the interests of all agricultural and allied industries in Montana; collect and publish statistics relating to the production and marketing of agricultural products; assist, encourage and promote the organization of farmers; gather and distribute marketing information; and administer regulations pertaining to production and marketing of food and fiber products.

The major adjustments from the 1987 biennium to the 1989 biennium are:

1. Elimination of the Beginning Farm Loan Program which had 1.33 FTE, and the Agricultural Crisis Program which had 3.00 FTE.

2. Reduction of 3.5 FTE in the Environmental Management Division due to: a) one position will no longer be financed by the Environmental Protection Agency; b) one position was laid off to finance the fiscal 1987 pay plan; and c) 1.5 FTE (six seasonal employees) were eliminated in the 5 percent fiscal 1987 cuts.

3. The 1989 biennium equipment increases are primarily related to the 2 percent cuts in fiscal 1986 and the 5 percent cuts in fiscal 1987 when the department cut back purchases of equipment. Also in fiscal 1989 there is $85,000 from the Environmental Protection Agency for a gas chromotograph mass spectrometer for the Environmental Management Division.

CENTRALIZED SERVICES DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	12.00	11.25	11.25	11.25	0.00
Personal Service	$339,786	$325,261	$336,437	$336,584	1.2
Operating Expense	85,724	565,645	93,582	73,771	(74.3)
Equipment	3,183	1,500	23,310	780	414.4
Total Operating Costs	$428,693	$892,406	$453,329	$411,135	(34.6)
Non-Operating Costs	246,703	-0	111,776	111,776	(9.4)
Total Expenditures	$675,396	$892,406	$565,105	$522,911	(30.6)
Fund Sources					
General Fund	$304,892	$271,276	$248,763	$224,571	(17.8)
State Special	290,306	538,448	230,424	219,862	(45.7)
Federal Revenue	51,030	54,918	47,637	44,217	(13.3)
Proprietary Funds	2,000	1,900	5,734	5,132	178.6
Expendable Trust	27,168	25,864	32,547	29,129	16.3
Total Funds	$675,396	$892,406	$565,105	$522,911	(30.6)

Centralized Services Division provides accounting, fiscal management, payroll, personnel, purchasing, property control, data processing, equal opportunity administration, and legal support to all programs within the department. Attached to the director's office is the weed management program which administers the noxious weed management trust fund and provides special grants for noxious weed control and eradication.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	12.00	12.00	0.00
Personal Service	$332,424	$339,786	$ (7,362)
Operating Expense	93,168	85,724	7,444
Equipment	2,492	3,183	(691)
Total Operating Costs	$428,084	$428,693	$ (609)
Non-operating Costs	500,502	246,703	253,799
Total Expenditures	$928,586	$675,396	$253,190
Funding			
General Fund	$293,923	$304,892	$(10,969)
State Special	533,120	290,306	242,814
Federal Revenue	72,375	51,030	21,345
Proprietary Funds	2,000	2,000	-0-
Expendable Trust	27,168	27,168	-0-
Total Funds	$928,586	$675,396	$253,190

The department transferred $11,596 from the Environmental Management Division to finance a computer system analyst. An assistant personnel position was eliminated and the new system analyst position created.

The under expenditure in non-operating and state special revenue is because of an over appropriation of noxious weed funds. For the 1987 biennium the legislature appropriated $250,000 per year from the resource indemnity trust interest for noxious weed grants, and an additional $250,000 per year of RIT interest to be deposited into the Noxious Weed Trust Fund. The legislature also enacted a 1 percent sales tax on the sale of herbicides. One half of the income from this tax is to be deposited into the Noxious Weed Trust Fund and the other half can be used for programs designed to manage and eradicate noxious weeds. Added to the $250,000 per year of RIT interest it was estimated that there would be $250,000 per year of herbicide tax to supplement the program. The actual revenue from the herbicide tax in fiscal 1986 was only $40,387 of which $8,069 was expended. Therefore the department was unable to expend all of the authorization appropriated for the noxious weed program.

Current Level Adjustments

Centralized Services: A clerical position (0.75 FTE) which was eliminated in Special Session III was not included in the current level base. The current level for fiscal 1988 includes funds to purchase two personal computers ($7,000), and funds for a hard disk replacement ($17,250).

The reduction in general fund financing of Centralized Services is related to prorating the cost of administering the department to the various revenue sources which support the department's programs. The personal services of each program compared to total personal services was used as the ratio for determining an individual program's support of centralized services. Also 2.5 percent of all grants was added in the calculation for the financing of centralized services. A 21.58 percentage was applied to each fund to determine its share of administrative costs.

The drop in operating expenses between fiscal 1988 and fiscal 1989 is primarily the biennial appropriation of the legislative audit.

Weed Coordinator: The current level base for the weed coordinator is $35,885 in fiscal 1988 and $35,853 in fiscal 1989. The position is funded with general funds.

Noxious Weed Program: In the 1987 biennium the noxious weed eradication program was financed by resource indemnity trust interest. In the 1989 biennium the program will be funded by herbicide tax revenues. One-half of the herbicide tax revenues are available for the program and the other half are deposited into a noxious weed trust fund. For fiscal 1988 approximately $130,000 will be available for expenditure of which $111,776 will be available for grants.

The current level budget includes an increase from $3,274 to $8,133 for noxious weed council travel.

The reduction in state special revenue appropriation from fiscal 1987 to 1988 is related to the funding of the noxious weed program. In the 1987 biennium the program was funded with $300,000 of RIT interest funds and $500,000 of herbicide tax. The 1989 biennium program is funded only by the herbicide tax which is estimated to be $130,000/year. The federal funds are federal indirect and wheat and barley research and marketing funds. The expendable trust funds are Hail Insurance and Rural Development Fund. They are appropriated to fund a portion of administration.

HAIL INSURANCE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	6.30	6.30	6.30	6.30	0.00
Personal Service	$104,787	$120,676	$113,131	$113,035	0.3
Operating Expense	36,977	48,269	38,881	38,728	(9.0)
Equipment	2,222	3,000	4,550	2,000	25.4
Total Expenditures	$143,986	$171,945	$156,562	$153,763	(1.8)
Fund Sources					
Expendable Trust	$143,986	$171,945	$156,562	$153,763	(1.8)

The Hail Insurance Unit, totally funded by participating farmers and ranchers, provides administration of Montana's hail insurance laws and offers grain growers insurance and protection against crop loss due to hail. As provided in Section 80-2-232, MCA, 2 percent of the gross annual levies collected from the participants goes to the counties and 1 1/2 percent to the state for administration. This unit is attached to the department for administrative purposes only. By statute, the director is a member and secretary of the Board of Hail Insurance.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	6.30	6.30	0.00
Personal Service	$121,861	$104,787	$17,074
Operating Expense	47,529	36,977	10,552
Equipment	2,000	2,222	(222)
Total Exp. & Funding	$171,390	$143,986	$27,404

Because of the low amount of hail damage in fiscal 1986 the division did not work the adjusters as much as was budgeted. This is the reason for the unspent personal services and operating expenses funds.

Current Level Adjustments

In fiscal 1986 there was $1,062 expended on overtime for hail adjusters. This was below the average expenditure of $5,000, so the current year contains $5,000 for overtime.

Included in the fiscal 1988 base is $3,050 for replacement of a computer terminal and $1,050 for replacement of a typewriter. In fiscal 1989 a computer printer ($2,000) is to be replaced.

WHEAT RESEARCH AND MARKETING

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	3.12	3.12	3.12	3.12	0.00
Personal Service	$ 89,683	$ 98,736	$ 93,720	$ 93,947	(0.4)
Operating Expense	78,627	173,260	82,161	82,502	(34.6)
Equipment	2,935	-0-	1,122	1,122	(23.5)
Total Operating Costs	$171,245	$ 271,996	$ 177,003	$ 177,571	(20.0)
Non-Operating Costs	296,246	750,000	1,170,925	1,170,925	123.8
Total Expenditures	$467,491	$1,021,996	$1,347,928	$1,348,496	81.0
Fund Sources					
Other Revenue	$467,491	$1,021,996	$1,347,928	$1,348,496	81.0

The Wheat Research and Marketing Unit, totally funded by participating grain producers, exists to encourage and promote both the development of markets for Montana wheat and barley and intensive scientific and practical research into all phases of wheat and barley culture, production, and use. The Wheat Research and Marketing Unit is attached to the department for administrative purposes only. The director is an ex-officio member of the Wheat Research and Marketing Committee.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as examined by the 1985 legislature. The expenditures for fiscal 1986 are low because of the drought in the 1985 crop year. The non-operating expenses are for grants to do research and promote Montana wheat and barley.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	3.12	3.12	0.00
Personal Service	$ 98,699	$ 89,683	$ 9,016
Operating Expense	170,469	78,627	91,842
Equipment	250	2,935	(2,685)
Non-Operating Expenses	750,000	296,246	453,754
Total Expenditures	$1,019,418	$467,491	$551,927

Current Level Adjustments

The current level base includes a reduction of $12,000 in contracted services. The budget also includes an additional $4,460 for postage so the board can mail its newsletter to 18,000 producers and an additional $5,041 for a second code-a-phone service.

The non-operating expenditures for the 1989 biennium are based upon an increase in revenues that are projected for the biennium. Table 4 details the amount of wheat and barley by year upon which the budget is based. The refundable tax rate is 6 mills/bushels on wheat and 12 mills/hundred weight on barley which will generate $1,381,900 in fiscal 1988 and $1,381,900 in fiscal 1989.

Table 4
Bushels of Wheat and Barley
(Millions)

Grain	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989
Wheat	50.20	136.85	142.00	142.00
Barley	30.00	89.38	92.00	92.00

ENVIRONMENTAL MANAGEMENT DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	30.01	26.50	26.50	26.50	0.00
Personal Service	$ 691,556	$ 707,963	$694,089	$ 696,857	(0.6)
Operating Expense	229,008	282,240	220,335	225,328	(12.8)
Equipment	127,319	55,894	63,509	98,435	(11.6)
Total Expenditures	$1,047,883	$1,046,097	$977,933	$1,020,620	(4.6)
Fund Sources					
General Fund	$ 681,194	$ 664,014	$645,067	$ 638,177	(4.6)
State Special	157,752	157,401	151,401	140,020	(7.5)
Federal Revenue	208,937	224,682	181,465	242,423	(2.2)
Total Funds	$1,047,883	$1,046,097	$977,933	$1,020,620	(4.6)

Increase General Fund Revenues	- - - - - - Fiscal 1988 - - - - - General Fund	Other Funds	- - - - - - Fiscal 1989 - - - - - General Fund	Other Funds
1. Pesticide License and Product Registration Fees				
Option A1:	$319,024	$ -0-	$319,024	$ -0-
Option A2:	287,122	-0-	287,122	-0-
Option A3:	159,514	-0-	159,514	-0-
Option B:	293,293	-0-	293,293	-0-

The Environmental Management Division is responsible for administering the Montana Pesticides Act, the Crop Insect Detection and Management Act, the Noxious Plant Management Assistance Act, the Vertebrate Pest Management Act, and for managing the department's chemical analytical laboratory. Technical and consultant services are also provided to consumers and agricultural producers in the pesticide, analytical chemistry, and pest management program areas.

The field services, technical services and laboratory bureaus are respectively responsible for the pesticide enforcement program, pest and pesticide services and training program, and for the analysis of feeds, fertilizers, pesticides, and other chemicals in agricultural commodities and environmental samples.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 5
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	30.01	30.01	0.00
Personal Service	$ 725,979	$691,556	$ 34,423
Operating Expense	279,649	226,669	52,980
Equipment	69,210	66,019	3,191
Total Expenditures	$1,074,838	$984,244	$ 90,594
Funding			
General Fund	$ 708,461	$681,194	$ 27,267
State Special	166,798	157,752	9,046
Federal Revenue	199,579	145,298	54,281
Total Funds	$1,074,838	$984,244	$ 90,594
Additions			
Budget Amendments	$ -0-	$ 63,639	$(63,639)

The department did not expend $23,000 in supplies and materials, $12,500 in travel, and $9,500 in utilities in fiscal 1986.

Current Level Adjustments

In fiscal 1987, 3.50 FTE were eliminated and those reductions have been carried forward into the 1989 biennium. Six seasonal biological aides (1.50 FTE) were eliminated as part of the division's 5 percent cut and 1.00 FTE was eliminated to finance the 1987 pay plan. The department is also eliminating one position which the Environmental Protection Agency formerly financed. The positions eliminated were a pesticide specialist and a chemist.

The current level base includes a reduction of $12,000 in computer systems development and a $3,700 reduction in travel.

The current level also includes the department's equipment request which is entirely financed by either federal funds or state special revenue funds. The major equipment to be purchased includes a high pressure liquid chromotograph detector ($25,000) in fiscal 1988, a replacement controller and data system for the gas chromotograph system ($12,000) in fiscal 1988, and replacement of a gas chromotograph mass spectrometer ($85,000) in fiscal 1989.

This program is financed by commercial feed and commercial fertilizer state special revenue funds, general fund, and federal EPA funds. The state special funds finance the feed and fertilizer portion of the laboratory budget. The federal EPA

funds reduction in fiscal 1988 is caused by the EPA no longer financing one position. In fiscal 1989, federal funds increase for equipment purchases. The federal funds are primarily used to finance the laboratory budget.

ISSUE 1: PESTICIDE LICENSE AND PRODUCT REGISTRATION FEES

The Environmental Management Bureau expenditures for fiscal 1986 were $1,047,883 of which $681,194 was general fund. The fees from licensing pesticides and pesticide applicators, which are deposited to the general fund, generated $319,024 in fiscal 1986. The bureau is responsible for administering several acts but its primary responsibility is to administer and enforce the Montana Pesticides Act, Title 80, Chapter 8, Sections 80-8-101 through 80-8-306. The purpose of that act is defined in Section 80-8-103, MCA which states:

> The control of pesticides and their use is essential for the protection of man and his environment. Pesticides are currently considered valuable and necessary to provide sufficient quantity of quality foods and for the protection of humans from vectorborne diseases. However, the protection of man and his essential needs--water, air, food, animals, vegetation, pollinating insects, and shelter from pesticides which are potentially dangerous--is in the public interest now and in the future. Therefore, it is deemed necessary to provide for the control of pesticides.

There are five major components of the bureau which receive general fund. Table 6 details the fiscal 1988 general fund expenditures of each of the five components, the percentage of each component's activities related directly to pesticide management, and the resulting portion of each component's budget related to pesticide management. Table 6 indicates a total general fund cost attributable to pesticide management of $549,784. Therefore, the pesticide fees of $319,024 in fiscal 1988 (assumes fiscal 1988 revenues will be equal for fiscal 1986) are paying only 58 percent of the cost of administering their use.

Table 6
Environmental Management Bureau's Budget for Pesticide Management
Fiscal 1988

Division Component	Fiscal 1988 General Fund	% of Activities Related to Pesticide Management	General Fund Related to Pesticide Management
Environmental Management Admin.	$152,829	90	$137,546
Field Support	170,424	100	170,424
Laboratory	96,380	100	96,380
Technical Services	163,586	70	114,510
Rodent Control	61,848	50	30,924
Total	$645,067		$549,784

Currently, the state does charge fees which relate to the cost of administering pesticides in Montana. Table 7 details the pesticide related fees that are currently being collected and the amounts collected for fiscal years 1984, 1985, and 1986.

Table 7
Pesticide License and Product Registration Fees

Name	Fee	Fiscal 1984 Collections	Fiscal 1985 Collections	Fiscal 1986 Collections
Governmental Dealer License	$50	$ 1,980	$ 1,950	$ 2,220
Governmental Applicators License	50	8,430	9,350	10,997
Private Applicators License	15	10,146	17,475	32,727
Pesticide Operator License	35	17,245	16,380	16,480
Pesticide Operator License	10	4,450	6,100	5,625
Pesticide Applicator License	35	25,780	25,550	25,365
Pesticide Product Registration	50	199,435	217,650	225,610
Total		$267,466	$294,455	$319,024

The pesticide product registration fee is paid by the manufacturer for the legal use of a particular pesticide in Montana. There is only one manufacturer headquartered in Montana and that is Falls Chemical in Billings. They have registered 15 products in Montana. Therefore, of the over 4,000 registered pesticides in Montana, only 15 are produced here.

The Pesticide Registration and Licensing Act was enacted in 1971. The pesticide produce registration fee (which accounts for 74 percent of the revenues) was $10.00 in 1971. The fee was raised to $15.00 in 1979 and to the present level of $50.00 in 1983. The fees were increased 233 percent in 1983 but in spite of these increases fees still only recover 58 percent of the bureau's general fund costs related to pesticide management.

Table 8 presents a number of percentage increase options in the current fee schedule which would provide greater revenues to the general fund. Pesticide fee would have to increase 85 percent to finance the portion of the Environmental Management Bureau's budget (before pay plan increases) which relates to pesticides.

Table 8
Pesticide License Fees at 50, 90, and 100 Percent Increases

Name of Fee	Current Fee	50% Fee Increase	90% Fee Increase	100% Fee Increase
Governmental Dealer License	$50	$75.00	$95.00	$100.00
Governmental Applicators License	50	75.00	95.00	100.00
Private Applicators License	15	22.50	28.50	30.00
Pesticide Dealer License	35	52.50	66.50	70.00
Pesticide Operator License	10	15.00	19.00	20.00
Pesticide Applicator License	35	52.50	66.50	70.00
Pesticide Product Registration	50	75.00	95.00	100.00
Name of Fee	**Revenues**	**Revenues**	**Revenues**	**Revenues**
Governmental Dealer License	$ 2,220	$ 3,330	$ 4,218	$ 4,440
Governmental Applicators License	10,997	16,496	20,894	21,994
Private Applicators License	32,727	49,091	62,181	65,454
Pesticide Dealer License	16,480	24,720	31,312	32,960
Pesticide Operator License	5,625	8,438	10,688	11,250
Pesticide Applicator License	25,365	38,048	48,194	50,730
Pesticide Product Registration	225,610	338,415	428,659	451,220
Total Revenue	$319,024	$478,538	$606,146	$638,048

Option A: Increase pesticide license fees:

1) 100 percent; increasing general fund revenue by $319,024.
2) 90 percent; increasing general fund revenue by $287,122.
3) 50 percent; increasing general fund revenue by $159,514.

Option B: Increase the pesticide product fee only. If the pesticide product fee was increased from the current level of $50 to $115, the general fund would net an increase of $293,293. This option assumes that all of the pesticide products are re-registered.

PLANT INDUSTRY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	30.39	28.64	28.64	28.64	0.00
Personal Service	$678,731	$690,034	$705,111	$706,144	3.1
Operating Expense	131,267	153,194	137,109	139,000	(2.9)
Equipment	-0-	30,152	22,104	31,100	76.5
Total Operating Costs	$809,998	$873,380	$864,324	$876,244	3.4
Non-Operating Costs	-0-	1,097	-0-	-0-	(100.0)
Total Expenditures	$809,998	$874,477	$864,324	$876,244	3.3
Fund Sources					
General Fund	$418,970	$416,789	$413,557	$411,209	(1.3)
State Special	332,352	388,841	395,412	408,402	11.5
Federal Revenue	26,587	24,895	22,941	23,941	(8.9)
Proprietary Funds	32,089	43,952	32,414	32,692	(14.4)
Total Funds	$809,998	$874,477	$864,324	$876,244	3.3

Added General Fund Revenue:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Plant Industry Inspection and Licensing Fees				
Option A:	$ 55,669	$ -0-	$ 55,669	$ -0-
Option B:	111,341	-0-	111,341	-0-
Option C:	151,418	-0-	151,418	-0-
Option D:	222,674	-0-	222,674	-0-

The Plant Industry Division administers agricultural programs relating to the production, manufacturing, and marketing of commodities exported from or distributed in the state. The division provides services to industry by: (a) performing professional insect/disease surveys; (b) doing comprehensive feed mill inspections; (c) issuing official commodity certificates; (d) issuing dealer licenses/permits; (e) registering products; (f) doing analytical analyses for bees, etc.; and (g) collecting various assessment fees. Division personnel provide technical/scientific information upon request to the industry and the general public by investigating and resolving consumer complaints. The consumer complaints range from product contamination and quality control to elevator bankruptcies and non-payment for products.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 9
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	30.39	30.39	0.00
Personal Service	$712,162	$678,731	$33,431
Operating Expense	160,109	124,592	35,517
Equipment	13,379	-0-	13,379
Other Costs	1,097	-0-	1,097
Total Expenditures	$886,747	$803,323	$83,424
Funding			
General Fund	$431,724	$418,970	$12,754
State Special	385,871	332,352	53,519
Federal Revenue	24,883	19,912	4,971
Proprietary Funds	44,269	32,089	12,180
Total Funds	$886,747	$803,323	$83,424
Additions			
Budget Amendments	$ -0-	$ 6,675	$(6,675)

In fiscal 1986 the department did not purchase two vehicles which were authorized. Also, in fiscal 1986 the department underspent in this program because of a lack of grain inspection revenue ($43,000) and because the department expended none of the $39,263 state special revenue appropriated for the anhydrous ammonia program. The reduction in grain inspection revenue is directly related to the drought conditions in Montana during 1985.

Current Level Adjustments

In fiscal 1987 the department eliminated 1.00 FTE funded with general fund and 0.75 FTE funded by state special funds because of the 5 percent cuts. These reductions are carried forward into the 1989 biennium.

The current level base includes 1.50 FTE and $39,264 for the anhydrous ammonia program in fiscal 1988 and $39,024 in fiscal 1989. Included in the 1989 biennium budget is $17,304 in fiscal 1988 and $18,000 in fiscal 1989 for replacement of two cars in each fiscal year. Also in fiscal 1989 is $12,500 state special funds to replace an infra-red protein analyzer.

The current level includes a $1,000 increase in the grain lab federal inspection cost which is needed because of increased inspection. There are three major components to the Plant Industry Program. Table 10 details the three programs and the funding for each.

Table 10
Plant Industry Seed Programs

Program	FTE	- - - Fiscal 1988 - - - Gen. Fund	Other Fund	- - - Fiscal 1989 - - - - Gen. Fund	Other Fund
Produce Inspection & Admin.	18.64	$411,557	$166,043	$411,209	$166,269
Alfalfa Leaf Cutter Bee	1.00	-0-	32,414	-0-	32,692
Grain Laboratory	9.00	-0-	252,310	-0-	266,074
Total	28.64	$411,557	$450,767	$411,209	$465,035

The grain lab is a self supporting program which charges a fee for analyzing grain. The alfalfa leaf cutter program is financed by a fee which the department collects for inspecting and certifying bee colonies.

ISSUE 1: PLANT INDUSTRIES INSPECTION AND LICENSING FEES

There are a number of inspection and licensing services which are provided by the Plant Industries Division. The fees collected for these services are deposited into the general fund. In reviewing the fees, it was discovered that most of the fee rates have not been changed for five years and some rates haven't been changed since the mid-1930's. Within the Plant Industries Division budget are 13.40 FTE identified as agricultural inspectors or agricultural inspection technicians. The fiscal 1987 personal services budget for those positions is $304,640 before pay plan increases. The operating expenses are approximately $61,500. Therefore, the cost of inspecting and licensing produce is approximately $366,000 per year. As will be shown later, fees produced only $222,674 in fiscal 1986 (the fee revenue is estimated to be the same in fiscal 1987) which is approximately 61 percent of costs. If the legislature increased the fees 68 percent, the fees would cover the costs of licensing and inspecting.

There are 18 fees collected as a result of the activities of the Plant Industries Division. Some of the fee rates are set by statute and some are set by department rule. Table 11 details the name of the fee, the amount of fee collected in fiscal 1986, the current rate of the fee, and the date the fee was last increased.

Table 11
Plant Industry Fees

Name	Fiscal 1986 Revenues	Statute Reference	Last Fee Increase	Current Fee
Produce Inspection	$101,362	Rule	1980	$.025 to $20
Bean Warehouse Insp.	1,809	Rule	1981	$7/Hr. + $7.50
Phyto Sanitary Insp.	2,261	Rule	1980	$3 - $45
Potato & Cherry Insp.	37,176	Rule	1980	$20 to $45
Produce Tags	211	Rule	1980	$0.03/Tag
Public Warehouseman Lic.	15,050	80-4-503	1983	$25 to $150
Commodity Dealers Lic.	27,175	80-4-602	1983	$25 to $150
Agricultural Seed License	8,485	80-5-203	1977	Up to $20
Class A Nursery Lic.	9,010	80-7-102	1979	$30
Class B Nursery Lic.	1,240	80-7-102	1979	$20
Class C Nursery Lic.	2,700	80-7-102	1979	$10
Bee Colony Registration	7,613	80-6-105	1979	$5 to $150
Wholesalers License	4,600	80-3-601	1935	$100
Itinerant Merchant	2,401	80-3-704	1935	$100
Permit of Exemption	28	80-3-701	1935	$1
Apiculture General	1,081	80-6-202	1979	$20
Certified Potato Reimbursement	472	Rule	1980	$3 to $20
Total	$222,674			

Table 12 itemizes several potential fee increase percentages that the legislature may want to consider. Since some of the fees are set in administrative rule, the legislature could either direct the department to raise the fees or put the fees in statute.

Table 12
Plant Industries Fees
Potential Increases 25, 50, 100 Percent

Name	Current Fees	Option A 25% Increase	Option B 50% Increase	Option C 68% Increase	Option D 100% Increase
Produce Inspection	$101,362	$126,703	$152,043	$170,288	$202,724
Bean Warehouse Inspection	1,809	2,261	2,714	3,039	3,618
Phyto Sanitary Inspection	2,261	2,826	3,392	3,798	4,522
Potato & Cherry Inspection	37,176	46,470	55,764	62,456	74,352
Produce Tags	211	264	317	354	422
Public Warehouseman License	15,050	18,813	22,575	25,284	30,100
Commodity Dealers License	27,175	33,969	40,763	45,654	54,350
Agricultural Seed License	8,485	10,606	12,728	14,255	16,970
Class A Nursery License	9,010	11,263	13,515	15,137	18,020
Class B Nursery License	1,240	1,550	1,860	2,083	2,480
Class C Nursery License	2,700	3,375	4,050	4,536	5,400
Bee Colony Registration	7,613	9,516	11,420	12,790	15,226
Wholesalers License	4,600	5,750	6,900	7,728	9,200
Itinerant Merchant	2,401	3,001	3,602	4,034	4,802
Permit of Exemption	28	35	42	47	56
Apiculture General	1,081	1,351	1,622	1,816	2,162
Certified Potato Reimbursement	472	590	708	793	944
Total	$222,674	$278,343	$334,015	$374,092	$445,348

Option A: Raise the fees 25 percent increasing general fund revenue by $55,669.

Option B: Raise the fees 50 percent increasing general fund revenue by $111,341.

Option C: Raise the fees 68 percent. This would provide fee revenue which equals general fund expenditures or an increase of $151,418 per year.

Option D: Raise the fees 100 percent increasing general fund revenue by $222,674.

AGRICULTURAL DEVELOPMENT

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	- - Current Level - - Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	12.00	12.00	7.67	7.67	(4.33)
Personal Service	$196,881	$227,519	$182,312	$182,539	(14.0)
Operating Expense	149,012	105,585	41,022	41,168	(67.7)
Equipment	911	398	1,000	900	45.1
Total Operating Costs	$346,804	$333,502	$224,334	$224,607	(34.0)
Non-Operating Costs	13,059	313,671	18,000	18,000	(89.0)
Total Expenditures	$359,863	$647,173	$242,334	$242,607	(51.8)
Fund Sources					
General Fund	$137,101	$397,308	$ 94,462	$ 94,575	(64.1)
State Special Revenue	13,193	36,826	38,767	38,912	55.3
Federal Revenue	104,151	44,449	40,300	40,300	(45.8)
Proprietary Funds	45,241	61,830	-0-	-0-	(100.0)
Expendable Trust	60,177	106,760	68,805	68,820	(17.6)
Total Funds	$359,863	$647,173	$242,334	$242,607	(51.8)

The Agricultural Development Division is composed of the Rural Development Unit, the Crop and Livestock Reporting Unit, and the Marketing Unit, and provides administrative support to the Alfalfa Seed Committee. These programs provide agricultural loans to low income rural Montanans, collect and publish statistics relating to the production and marketing of crops and livestock, and assist producers and industries in marketing their products.

For the 1989 biennium the Beginning Farmer Loan Program and the Agricultural Counseling and Mediation programs have not been included in the current level. The Beginning Farmer Program was not included because the general fund loan was no longer available to finance the program and the Agricultural Counseling and Mediation Program sunsets July 1, 1987. The reduction of 1.33 FTE is related to the elimination of the Beginning Farmer Program and 3.00 FTE to the Agricultural Counseling and Mediation Program.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 13
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	9.00	12.00	(3.00)
Personal Service	$223,925	$186,482	$37,443
Operating Expense	167,047	104,358	62,689
Equipment	2,107	-0-	2,107
Other Expenses	16,000	13,059	2,941
Total Expenditures	$409,079	$303,899	$105,180
Funding			
General Fund	$102,278	$102,272	$ 6
State Special	37,386	13,193	24,193
Federal Revenue	102,348	83,016	19,332
Proprietary Funds	100,607	45,241	55,366
Expendable Trust	66,460	60,177	6,283
Total Funds	$409,079	$303,899	$105,180
Additions			
Budget Amendments		$ 21,135	$ (21,135)
HB30-SSII Ag. Counseling	$332,500	34,829	297,671

The 3.0 FTE's reflects the Agricultural Assistance Program which was enacted during Special Session II.

The unspent funds in fiscal 1986 are primarily related to the beginning farmer program. The program has never gotten off the ground and therefore, the revenues to support the program through bond sales have never materialized. The unexpended balance in the state special revenue account is from the Alfalfa Seed Program which didn't fill an authorized position in fiscal 1986.

Current Level Adjustments

The current level includes 1.00 FTE and $38,367 in fiscal 1988 and $38,512 in fiscal 1989 for the Alfalfa Seed Program. The base also includes an increase of $2,100 for the rural development workstudy contracts.

For fiscal 1986 the legislature had appropriated $100,607 for the Beginning Farmer Program. In its 1989 biennium current level budget request, the department has excluded this program from the base. The Beginning Farm Loan Program is a tax-exempt bond program designed to help lenders assist beginning farmers of Montana to purchase agricultural land, agricultural improvements, or depreciable agricultural property. A participating financial institution would receive tax-exempt interest with respect to bonds purchased to facilitate loans made to beginning farmers.

The program was given a general fund loan of $180,000 to get it started. Boilerplate language in House Bill 500 extended the general fund loan until June 30, 1987. At that point it would appear that general fund for the program would no longer be available. The loan was to be paid back by an administrative fee on the loans. Since the program started it has made only two loans for a total amount of $192,000. The administrative fees from those loans totaled $4,500. Therefore the program has not been included in the current level base.

Also not included in the current level base is the Agricultural Crisis Center Program. During Special Session II the legislature appropriated $350,000 general fund (reduced to $332,000 in Special Session III). The program was designed to aid financially distressed farmers. The act passed by the legislature had a termination date of July 1, 1987. Therefore the program is not included in the current level base.

Table 14 details the four programs in Agricultural Development Program and the funding sources which support those programs.

Table 14
Agricultural Development Funding

Fiscal 1988	General Fund	Alfalfa Seed	Rural Dev. Trust Fund	Wheat Research	Federal	Total
Alfalfa Seed	$ -0-	$38,367	$ -0-	$ -0-	$ -0-	$38,367
Rural Development	-0-	-0-	$68,805	-0-	-0-	68,805
Marketing	37,204	-0-	-0-	3,700	-0-	40,904
Crop Reporting	57,258	400	-0-	26,600	$10,000	94,258
Total Funding	$94,462	$38,767	$68,805	$30,300	$10,000	$242,334
Fiscal 1989						
Alfalfa Seed	$ -0-	$38,512	$ -0-	$ -0-	$ -0-	$ 38,512
Rural Development	-0-	-0-	$68,820	-0-	-0-	68,820
Marketing	37,222	-0-	-0-	3,700	-0-	40,922
Crop Reporting	57,353	400	-0-	26,600	$10,000	94,353
Total Funding	$94,575	$38,912	$68,820	$30,300	$10,000	$242,607

DEPARTMENT OF COMMERCE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	321.10	$ 15,443,307	$156,526,409
LFA Current Level	263.25	36,379,006	114,788,045
Executive Over (Under) LFA	57.85	$(20,935,699)	$ 41,738,364

The executive budget is 57.85 FTE and $41,738,364 more than LFA current level. There are 3 major differences between the LFA current level and the executive budget. First, the executive budget contains $50,110,000 for the lottery. Second, the executive budget includes $9.35 million (accomodation tax) for tourist promotion and the LFA has $2.39 million (general fund). Third, the LFA current level has a fully funded Local Government Block Grant program which is $18.0 million above the executive budget.

ISSUE 1: BUSINESS LICENSING AND REGULATION SUPPORT PROGRAM: TRAMWAY SAFETY

The executive budget recommends that the passenger tramway safety program, and the $18,305 of state special funds which support the program be transferred to this Business Licensing and Regulation Support Program. The tramway program is currently housed in the Department of Administration.

ISSUE 2: BUSINESS LICENSING AND REGULATION SUPPORT PROGRAM: LEGAL COST POOL

The executive budget recommends that $75,000 per year be appropriated to establish a legal cost pool. The legal pool would give the division administrator the flexibility to transfer expenditure authority to any of the division programs which need legal advice.

ISSUE 3: WEIGHTS AND MEASURES: VACANT POSITION

The executive budget recommends that an equipment repairman position which is vacant be funded in the 1989 biennium. The LFA current level had eliminated the position and $21,407 general fund per year.

ISSUE 4: MILK CONTROL BUREAU: STATE MILK POOLING

The executive budget recommends that 0.5 FTE and $31,878 for the biennium be appropriated to prepare for a public hearing on the advisability of a state pooling arrangement as a method of payment of milk producer prices. A state pooling arrangement would change the method in which the value of the dairy farmers' milk is determined. Currently, the price which the dairy farmers receive for their milk is

determined by which milk distributor they sell to. The price which a particular milk distributor pays to the dairy farmers is determined by the milk products which the distributor produces. Therefore, one milk distributor may pay more for a dairy farmer's milk than another. Under a state pooling arrangement all dairy farmers would receive the same value for their milk regardless of which milk distributor buys the milk.

ISSUE 5: PROFESSIONAL AND OCCUPATIONAL LICENSING BOARDS: TRANSFER OF BOARD OF HORSE RACING

The executive budget recommends that the Board of Horse Racing be transferred to the newly created Lottery Division. The transfer involves 5.78 FTE and $261,893 in fiscal 1988 and $263,215 in fiscal 1989.

ISSUE 6: PROFESSIONAL AND OCCUPATIONAL LICENSING BOARDS: BOARD INCREASES

The executive budget recommends that the operating authority for four boards be increased. Table A details the proposed increases.

Table A
Recommended Board Increases

Board	Fiscal 1988	Fiscal 1989
Chiropractors	$ 2,000	$ 2,000
Morticians	5,071	5,870
Prof. Engineers & Land Surveyors	2,000	-0-
Accountants	26,000	26,000
Total	$35,071	$33,870

ISSUE 7: BUREAU OF AERONAUTICS: POSITION REDUCTION

The executive budget recommends that the fiscal 1987 5 percent reduction be continued in the 1989 biennium. To accomplish the reduction the program reduced 0.95 FTE and $21,475. A position at the West Yellowstone airport was eliminated. The position was financed by proprietary funds which are earned through the operations of the airport. A 0.1 FTE janitor was added to the executive budget to replace a personal services contract that did not meet Internal Revenue Service criteria.

ISSUE 8: BUREAU OF AERONAUTICS: STATE AIRPORT SYSTEM PLAN

The executive budget recommends appropriation authority for $75,000 of federal funds and $8,500 of state special revenues for completion of the State Airport System Plan. The plan is scheduled to be completed in fiscal 1988.

ISSUE 9: TRANSPORTATION DIVISION: RAIL ASSISTANCE FUNDS

The executive budget recommends that $501,905 of federal rail assistance funds be appropriated for the biennium. The funds are available on a priority basis to project recipients who can provide a minimum 30 percent match for the federal funds.

ISSUE 10: TRANSPORTATION DIVISION: LEGAL COSTS

The executive budget recommends that an additional $31,308 per year of legal costs be included in the budget. The legal costs are for the division's involvement in rail abandonment issues and the McCarty Farmer/Staggers Act case. LFA current level includes the amount which was expended in fiscal 1986 ($3,242). The additional legal costs would be financed with general fund.

ISSUE 11: BUSINESS ASSISTANCE DIVISION: NATIONAL ADVERTISING

The executive budget recommends that $300,000 per year be appropriated for national advertising promoting the business opportunities in Montana. The cost of the advertising would be financed by private revenues. In fiscal 1986 and 1987, $126,500 was appropriated each year for private funded promotion. This was excluded from current level because private contributions were only $3,959 in fiscal 1986.

ISSUE 12: BUSINESS ASSISTANCE DIVISION: PACIFIC RIM OFFICE

The executive budget recommends that $90,340 in fiscal 1988 and $177,770 in fiscal 1989 be appropriated for the creation of a Pacific Rim trade office. The first year a consultant would be hired to explore the opportunities and options for Montana to open a trade office in the Far East. The fiscal 1989 appropriation would be for the opening of an office. The funds for the program are two-thirds private funds and one-third from the Governor's proposed accommodations tax.

ISSUE 13: BUSINESS ASSISTANCE DIVISION: SMALL BUSINESS DEVELOPMENT CENTERS

The executive budget recommends that $221,000 per year of federal funds be appropriated for two small business development centers. The recommendation proposes that offices be established in Helena and eastern Montana.

ISSUE 14: MONTANA PROMOTION BUREAU: ACCOMMODATION TAX

The executive budget recommends that a 4 percent accommodations tax be enacted by the legislature. The receipts from the tax would be used to promote tourism in Montana. The executive estimates that the tax will generate $5,000,000 per year. It is proposed that three-fourths of the revenue will be expended by the state for tourism promotion and one-fourth will be appropriated to local tourist promotion efforts. The proposal also includes an additional 3.0 FTE.

LFA current level has a 1989 biennium general fund budget of $2,390,886 and $500,000 of private funds for the bureau. The executive proposal replaces the general fund with accommodation tax revenue and increases the biennial appropriation

to $9,256,308, of which $2,446,774 goes to local tourist programs. The proposal also includes $700,000 per year from private sources.

ISSUE 15: ECONOMIC POLICY AND RESEARCH: CURRENT LEVEL BASE

The executive budget recommends a current level base which is $54,839 in fiscal 1988 and $51,414 in fiscal 1989 greater than the LFA current level. The difference is that the LFA used the fiscal 1987 appropriation as the current level base for the program, and the executive used the expenditure in fiscal 1986. The LFA did not use the fiscal 1986 base because the expenditures in fiscal 1986 included operating expenses that were transferred into the program.

ISSUE 16: LOCAL GOVERNMENT AUDIT: FTE

The executive budget recommends that there be 28.20 current level FTE. LFA current level has only 24.70 FTE. The difference is the LFA current level has eliminated 2.0 FTE which were vacant for most of fiscal 1986. The additional difference is that the executive proposal includes 1.5 FTE which were formerly contractual employees, and because of a need to comply with Internal Revenue Service criteria were added as state employees.

ISSUE 17: LOCAL GOVERNMENT SYSTEMS: LOCAL GOVERNMENT BLOCK GRANT REVENUES

The executive has taken the approach that only one-third of the oil severance tax and the block grant vehicle fee (which the executive recommends be reenacted because it sunsets July 1,1987) be allocated to the LGBG program. The LFA has based the current level on a fully funded LGBG. The executive proposal would provide approximately 48 percent of the revenues needed for a fully funded LGBG program. To fully fund the LGBG would require an addition $18,970,025 for the biennium.

The executive budget has financed the LGBG with $4,906,000 of general fund. The recommendation assumes that vehicle fees are deposited into the general fund. However, the fees were deposited into the local government block grant fund. Therefore, to be consistent with their recommendation, the LGBG program should be financed entirely with local government block grant funds (this is the disposition of the fees in statute which sunsets July 1, 1987). This would raise state special revenue by $4,906,000 and reduce general fund expenditures a like amount. Correction of this error would increase the general fund balance in the executive budget by $4,906,000. For additional information on this issue and other options, please refer to the Local Government Systems section of this report.

ISSUE 18: BUILDING CODES: ELECTRICAL BOARD EDUCATIONAL TESTING SERVICE

The executive budget recommends that $7,350 in fiscal 1988 and $9,450 in fiscal 1989 of state special revenue funds be appropriated for examination fees of Montana applicants for national certification. Previously the applicants mailed their payments directly to the testing service.

ISSUE 19: COAL BOARD: CONSULTANT CONTRACTS

The executive budget recommends that an additional $16,600 be appropriated for consultant contracts. In fiscal 1986 the department used $16,600 of carry over funds from fiscal 1985 for contract services. The consultants assess grant applications and provide expert input to the Coal Board. The executive is recommending that the additional $16,600 be added to the current level base. The funding of the Coal Board comes from the coal severance tax.

ISSUE 20: COAL BOARD: GRANTS

The executive budget recommends that the percentage of coal severance tax dedicated to the Coal Board be reduced from 6.65 percent to 1.25 percent. The change in percentage would reduce the amount of funds which the Coal Board would have available to distribute as grants and loans. Based upon the LFA's estimate for coal severance tax revenues, the change in percentage would decrease the Coal Board's revenues by $6,797,186 for the biennium. The executive proposes that the $6,797,186 be allocated to the general fund.

ISSUE 21: HARD ROCK MINING BOARD: TRUST FUND ACCOUNTS

The executive budget recommends that funds be transferred to Hard Rock Trust Fund sub-account through a statutory appropriation rather than through the annual appropriation bill. This would not affect the amount to be transferred to the sub-account, but the sub-account appropriation would no longer be included in the appropriation bill which the legislature approves for each biennium. For this reason the sub-account are not included in the executive budget. The amount transferred into the sub-accounts is equal to the revenues received minus administrative expenses. For the 1989 biennium the LFA estimates that the sub-accounts will receive $2,289,247.

ISSUE 22: MONTANA ECONOMIC DEVELOPMENT BOARD: TRANSFER APPROPRIATION

The LFA current level and the executive budget differ on the amount appropriated for the board because the LFA current level includes a transfer appropriation of $173,865. The appropriation is needed to transfer the general fund appropriation in to the proprietary fund which finances the program. The LFA included the transfer appropriation because, according to the Department of Administration, the transfer is required by GAAP.

ISSUE 23: SCIENCE AND TECHNOLOGY DEVELOPMENT BOARD

The executive budget recommends that the Science and Technology Development Board be continued in the 1989 biennium. The LFA had not included the program in the current level because the funding for the program (alternative energy funds) is statutorily eliminated on July 1, 1987. The executive proposes that the staff for the program be increased from 2.0 FTE to 5.0 FTE in fiscal 1988 and to 6.0 FTE in fiscal 1989.

The executive proposes that the legislature continue funding this program with alternative energy funds. It appears, although the executive budget does not specifically state it, that the revenues of the alternative energy fund have been

divided between the Science and Technology, and DNRC's Energy Division as follows. The portion of the alternative energy fund generated from the coal severance tax is allocated to the Science and Technology Program. The portion of the fund generated from loan repayment and foreclosures is allocated to the Energy Division. Based upon this assumption, the revenues estimated to be available for Science and Technology in the 1989 biennium are $2,263,676. This estimate compares to an executive estimate of $2,967,418 for a difference of $703,742.

The executive budget also recommends that a new venture capital fund be established using bond proceeds secured by the Coal Trust Fund. The recommendation is to sell $5 million worth of bonds for the next three biennia for a total of $15 million. The proceeds from the bond sales would be used to make investments in seed and start-up stage companies attempting to market technology-based products and services.

Some of the major issues that need to be addressed in this proposal are: 1. What does the term "investment" encompass? 2. Does it include only loans or possible grants? 3. How are the bonds to be repaid?

The executive proposal included an additional 2.0 FTE in fiscal 1988 to implement the Seed Capital Program and 3.0 FTE in fiscal 1989. The positions are an accountant and two investment analysts. One of the investment analysts will not be hired until fiscal 1989.

As stated in the first paragraph the proposal recommends using the Coal Trust Fund as security for the bonds. The use of the Coal Trust Fund would require a three-fourths vote of the members of each house.

ISSUE 25: LOTTERY

The executive budget recommends that 43.78 FTE and $28,174,182 in fiscal 1988 and $28,286,866 in fiscal 1989 be appropriated for the state's lottery. The enabling legislation for the lottery becomes effective on January 1, 1987 and the lottery is supposed to be operational on July 1, 1987. The executive proposal recommends that 34.0 new FTE be financed for the operations of the lottery, 4.0 FTE be transferred from the Department of Revenue to administer the Electronic Poker Program, and 5.78 FTE in the Board of Horse Racing be transferred from the Professional and Occupational Licensing program. Table B details the proposed executive budget by program.

Table B
Proposed Lottery Division

	FTE	Fiscal 1988	Fiscal 1989
Lottery	34.00	$25,010,000	$25,100,000
Board of Horse Racing	5.78	254,793	247,876
Electronic Poker	4.00	2,909,389	2,938,990
Total	43.78	28,174,182	28,286,866

ISSUE 26: DIRECTOR'S OFFICE/MANAGEMENT SERVICES: ADDITIONAL ACCOUNTING TECHNICIAN

The executive budget recommends that an accounting technician be added to the management services budget to process the additional financial activity caused by the lottery. The position would be financed by indirect charges and is budgeted at $20,151 in fiscal 1988, and $18,618 in fiscal 1989.

ISSUE 27: DIRECTOR'S OFFICE/MANAGEMENT SERVICES: CONTRACTED LEGAL SERVICES

The executive budget recommends that additional general fund be appropriated to provide temporary assistance for administration of the lemon law. In the 1987 biennium the legislature had appropriated 0.5 FTE to administer the program and this position was never filled. Therefore, the FTE budget has been reduced by 0.5 FTE.

DEPARTMENT OF COMMERCE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	279.45	273.45	263.25	263.25	(10.20)
Personal Service	$ 7,093,663	$ 7,546,491	$ 7,296,703	$ 7,300,243	(0.3)
Operating Expense	5,716,790	6,163,292	6,225,580	6,012,507	3.0
Equipment	469,222	45,243	82,501	227,392	(39.8)
Total Operating Costs	13,279,675	13,755,026	13,604,784	13,540,142	0.4
Non-Operating Costs	43,829,111	40,808,995	43,850,711	43,792,408	3.6
Total Expenditures	$57,108,786	$54,564,021	$57,455,495	$57,332,550	2.8
Fund Sources					
General Fund	$ 9,351,001	$14,763,178	$17,986,472	$18,392,534	50.9
State Special	25,922,363	18,193,272	16,553,305	17,089,867	(23.7)
Federal Revenue	18,161,705	17,894,734	18,486,063	17,550,413	(0.1)
Proprietary	3,673,717	3,712,837	4,429,655	4,299,736	18.2
Total Funds	$57,108,786	$54,564,021	$57,455,495	$57,332,550	2.8

The Department of Commerce was established by Section 2-15-1801, MCA, to encourage and promote commerce-related activities in Montana through a wide spectrum of programs. Some of the programs are designed to foster stable, diversified, economic development by providing various types of assistance to businesses wishing to develop or expand within the state.

BUSINESS REGULATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	1.00	2.30	1.00	1.00	(1.30)
Personal Service	$51,892	$70,252	$50,169	$50,519	(17.6)
Operating Expense	9,762	8,065	8,901	8,711	(1.2)
Equipment	6,500	-0-	-0-	-0-	(100.0)
Total Expenditures	$68,154	$78,317	$59,070	$59,230	(19.2)
Fund Sources					
General Fund	$ 5,013	$21,089	$ -0-	$ -0-	(100.0)
State Special	63,141	57,228	-0-	-0-	(100.0)
Proprietary	-0-	-0-	59,070	59,230	
Total Funds	$68,154	$78,317	$59,070	$59,230	(19.2)

The Business Licensing and Regulation Program Support represents the budget for the operation of the Business Regulation Division administrator. The administrator supervises the direction of the regulatory and licensing functions performed by the Building Codes, Milk Control, Professional and Occupational Licensing and Weights and Measures Bureaus.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	2.30	1.00	(1.30)
Personal Service	$70,126	$51,892	$18,234
Operating Expense	13,735	9,762	3,973
Equipment	-0-	6,500	(6,500)
Total Expenditures	$83,861	$68,154	$15,707
Funding			
General Fund	$21,804	$ 5,013	$16,791
State Special	62,057	63,141	(1,084)
Total Funds	$83,861	$68,154	$15,707

The reduction of 1.30 FTE represents the transfer of positions to the Professional and Occupational Licensing Bureau. The positions transferred included a full-time legal secretary and a part-time administrative officer.

As part of the automation of the Department of Commerce all divisions had to contribute $6,500 for computer terminals. This is the reason for the overexpenditure in equipment.

Current Year Adjustments

In the 1987 biennium this program was funded by general fund and state special revenues. In the 1989 biennium costs of this program will be charged to the programs which it administers. The cost of administration will appear as an indirect cost in the Milk Control Program, the Building Codes Program, the Professional and Occupational Licensing Program, and the Bureau of Weights and Measures.

WEIGHTS AND MEASURES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	12.00	10.50	11.00	11.00	0.50
Personal Service	$296,337	$290,430	$281,690	$282,563	(3.8)
Operating Expense	122,509	123,588	121,959	119,792	(1.8)
Equipment	25,476	5,298	17,240	26,000	(40.5)
Total Expenditures	$444,322	$419,316	$420,889	$428,355	(1.7)
Fund Sources					
General Fund	$444,322	$419,316	$420,889	$428,355	(1.7)

The staff of the Weights and Measures Bureau test and inspect all weighing and measuring devices and is responsible for calibrating all weights and measures. The bureau staff is also responsible for quality and quantity control for all petroleum products. They investigate complaints concerning violations of weights and measures laws and regulations; regulate labeling, advertising and quantity control of prepackaged products; license all state petroleum dealers; and collect all license and scale test fees as well as impose late penalties.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	12.00	12.00	0.00
Personal Service	$308,787	$296,337	$12,450
Operating Expense	134,925	122,509	12,416
Equipment	22,000	25,476	(3,476)
Total Expenditures	$465,712	$444,322	$21,390
Funding			
General Fund	$465,712	$444,322	$21,390

In fiscal 1986 there was one equipment maintenance position vacant for the entire year, which results in the underexpenditure in personal service and operating expenses.

Current Level Adjustments

During fiscal 1986 this program operated with an equipment maintenance position vacant. In the current level for the 1989 biennium the position is eliminated from the current level base. This elimination results in a general fund savings of $21,407 per year. The fiscal 1988 budget includes $17,240 for the replacement of two pickups which currently have over 100,000 miles. The fiscal 1989 budget includes $26,000 for a replacement 2 ton truck. This truck currently has over 100,000 miles.

FINANCIAL DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	21.00	20.00	21.00	21.00	1.00
Personal Service	$485,745	$551,802	$577,232	$577,247	11.3
Operating Expense	198,873	177,824	216,695	211,319	13.6
Equipment	6,500	550	900	1,647	(63.9)
Total Expenditures	$691,118	$730,176	$794,827	$790,213	11.5
Fund Sources					
State Special	$691,118	$730,176	$794,827	$790,213	11.5

The Financial Division consists of the State Banking Board and Department of Commerce staff who are responsible for chartering, licensing, supervising, and examining state banks, savings and loan associations, credit unions, consumer loan licensees, sales finance companies, and Montana development companies/boards. They act as guardian of the public's interests in Montana's financial institutions and seek to prevent loss resulting from mismanagement or insolvency of state financial organizations. Statutory authority for these functions resides in Title 32, MCA.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 3
Comparison of the Appropriation of Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	21.00	21.00	0.00
Personal Service	$574,496	$485,745	$88,751
Operating Expense	207,613	198,873	8,740
Equipment	1,737	6,500	(4,763)
Total Expenditures	$783,846	$691,118	$92,728
Funding			
State Special	$783,846	$691,118	$92,728

The unexpended portion of the personal services appropriation was caused by 2 new positions which were not filled right away and 4 positions which were vacant for a period of time. For fiscal 1987 five of these positions have been filled and are expected to be filled in the 1989 biennium. One position is being kept vacant for the program's 5 percent cut. The overexpenditure in equipment is related to the department's purchase of a computer system. All of the department's divisions were required to finance $6,500 of the computer acquisition.

Current Level Adjustments

For the 1989 biennium the legal costs have been reduced by $6,200. Travel has been increased $18,600 to reflect the full workforce in the 1989 biennium. Indirect costs were increased $2,982. The indirect costs are related to the personal service costs which will be greater in the 1989 biennium.

MILK CONTROL

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	8.00	8.00	8.00	8.00	0.00
Personal Service	$182,684	$182,311	$195,212	$195,036	6.9
Operating Expense	90,452	75,338	88,243	86,381	5.3
Equipment	10,680	-0-	-0-	-0-	(100.0)
Total Expenditures	$283,816	$257,649	$283,455	$281,417	4.3
Fund Sources					
State Special	$283,816	$257,649	$283,455	$281,417	4.3

The staff of the Milk Control Bureau is responsible for supervising, regulating and controlling the milk industry of this state. The Bureau investigates all matters pertaining to production, processing, storage, distribution and sale of milk. The bureau is charged with insuring compliance by all licensees through minimum pricing, fair trade rules, extension of credit and financing prohibitions of the law. Intelligent production and orderly marketing of milk and cream products are encouraged to guarantee an adequate supply of healthful milk to the consuming public at the least possible cost.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	8.00	8.00	0.00
Personal Service	$184,729	$182,684	$ 2,045
Operating Expense	91,354	90,452	902
Equipment	-0-	10,680	(10,680)
Total Expenditures	$276,083	$283,816	$ (7,733)
Funding			
State Special	$276,083	$283,816	$ (7,733)

In fiscal 1986 there was $12,000 transferred into this program from the Professional Licensing and Occupational Support Program to cover the cost of moving into the DNRC building. The overexpenditure in equipment was for office furniture and computer equipment.

Current Level Adjustments

Built into the current level base is the program's share of the administrative costs charged by the Business Regulation Support Program. For the 1989 biennium, the costs of Business Regulation is included in the programs which it administers. Therefore, $4,577 has been added to this budget and is funded by Milk Control funds.

PROFESSIONAL AND OCCUPATIONAL LICENSING

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	36.11	37.11	35.21	35.21	(1.90)
Personal Service	$ 776,343	$ 988,233	$ 858,486	$ 857,949	(2.7)
Operating Expense	768,182	1,100,103	1,442,676	1,443,902	54.5
Equipment	78,127	13,493	4,906	3,630	(90.7)
Total Operating Costs	$1,622,652	$2,101,829	$2,306,068	$2,305,481	23.8
Non-Operating Costs	-0-	2,500	-0-	-0-	(100.0)
Total Expenditures	$1,622,652	$2,104,329	$2,306,068	$2,305,481	23.7
Fund Sources					
State Special	$1,622,652	$2,104,329	$1,631,068	$1,630,481	(12.5)
Proprietary	-0-	-0-	675,000	675,000	100.0
Total Funds	$1,622,652	$2,104,329	$2,306,068	$2,305,481	23.7

The Professional and Occupational Licensing Bureau is designed to provide the administrative and clerical services required by the professional licensing boards. Services provided by the bureau include correspondence, application processing, license issuance, license renewal, continuing education monitoring, investigation of complaints, examination administration and grading, minute taking of board meetings and maintenance of board records. Services are provided to the following 29 boards:

Board of Athletics
Board of Architects
Board of Barbers
Board of Chiropractors
Board of Cosmetologists
Board of Dentistry
Board of Denturity
Board of Hearing Aid Dispensers
Board of Horse Racing
Board of Landscape Architects
Board of Medical Examiners
Board of Morticians
Board of Nursing
Board of Nursing Home Administrators
Board of Occupational Therapists
Board of Optometrists
Board of Pharmacists
Board of Physical Therapy Examiners
Polygraph Licensing
Board of Private Investigators
Board of Professional Engineers and Land Surveyors

Board of Psychologists
Board of Public Accountants
Board of Radiologic Technologists
Board of Realty Regulation
Board of Sanitarians
Board of Social Workers and Professional Counselors
Board of Speech Pathologists and Audiologists
Board of Veterinarians

The reduction of 1.90 FTE from fiscal 1987 is caused by the following position transfers.

A. (1.50) FTE transferred to Build Montana Program
B. 1.30 FTE transferred in from Business Support
C. (0.50) FTE transferred to Management Services
D. (2.00) FTE for Board of Plumbers and Electrical Board transferred to Building Codes Division
E. 0.80 FTE programmer transferred from Management Services

(1.90) FTE Total

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 5
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	36.11	36.11	0.00
Personal Service	$ 982,691	$ 776,343	$206,348
Operating Expense	1,269,125	768,182	500,943
Equipment	75,276	78,127	(2,851)
Total Operating Costs	$2,327,092	$1,622,652	$704,440
Non-Operating Costs	2,500	-0-	2,500
Total Expenditures	$2,329,592	$1,622,652	$706,940
Funding			
State Special	$2,329,592	$1,622,652	$706,940

The major underexpenditures in fiscal 1986 are explained below:

1. $200,000 of Realtor Recovery authorization was never used.

2. $137,000 in pooled cost was not expended.

3. $139,000 in Horse Racing authority was not expended.

4. $132,700 in Board pooled spending authority was not used. The pooled costs are the secretarial, legal and operating costs. The boards did not use the pool as much as was anticipated.

Current Level Adjustments

The current level base has a double appropriation of the pooled secretarial costs. For accounting purposes the secretarial pool has its own proprietary funding source which the boards pay into as they use the pool. The double accounting of the pooled costs increases the current year operating expense base by $675,000.

AERONAUTICS DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	12.84	12.84	12.84	12.84	0.00
Personal Service	$316,092	$339,701	$358,684	$360,116	9.6
Operating Expense	245,561	291,795	247,442	247,594	(7.9)
Equipment	4,351	7,214	23,857	22,892	304.2
Total Operating Costs	$566,004	$638,710	$629,983	$630,602	4.6
Non-Operating Costs	19,351	10,940	20,745	20,745	37.0
Total Expenditures	$585,355	$649,650	$650,728	$651,347	5.4
Fund Sources					
State Special	$526,772	$560,263	$559,238	$559,068	(1.2)
Proprietary	58,583	89,387	91,490	92,279	24.2
Total Funds	$585,355	$649,650	$650,728	$651,347	5.4

The Division of Aeronautics consists of the Aeronautics Board and two bureaus. The Aeronautics Board, allocated to the department for administrative purposes, advises on matters pertaining to aeronautics.

The Airport/Airways Bureau staff provide technical and financial assistance to communities in airport development, navigational aid development, communications, aviation safety and aviation planning. Program staff plan, establish, operate, and

maintain the state-owned system of airports, navigational aids, and communications facilities.

The staff of the Safety and Education Bureau maintain a statewide organization for aerial search and rescue and provide search and rescue for lost aircraft. They serve as the approving agent for Veterans Administration flight schools, enforce state law on pilot and aircraft registration, and issue commercial air operator certificates. Bureau personnel plan and organize annual aircraft mechanic refresher seminars and annual flight instructor refresher clinics and conduct aviation safety programs for pilots in Montana. Additional staff responsibilities include: maintain a film library for pilot groups and schools; furnish aviation information and educational materials to students; provide schools with help in the area of curriculum planning and career information; provide guided career awareness tours of specific aviation facilities for schools and other groups; maintain an accredited college aviation/aerospace teacher workshop program and produce a monthly newsletter for the aviation community. The bureau also makes air marking recommendations for proposed towers, power lines, etc., and the actions of the FAA and other agencies are monitored with the best interests of Montana aviation in mind.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 6
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	12.84	12.84	0.00
Personal Service	$344,818	$316,092	$ 28,726
Operating Expense	313,319	245,561	67,758
Equipment	29,900	4,351	25,549
Total Operating Costs	$688,037	$566,004	$122,033
Other Expenses	10,900	19,351	(8,451)
Total Expenditures	$698,937	$585,355	$113,582
Funding			
State Special	$605,279	$526,772	$ 78,507
Proprietary	93,658	58,583	35,075
Total Funds	$698,937	$585,355	$113,582

Current Level Adjustments

Included in the current level base is $17,000 in fiscal 1988 and $27,000 in fiscal 1989 for replacement of two aircraft engines. Included in the equipment is $18,465 in fiscal 1988 and $18,500 in fiscal 1989 for non-directional beacon transmitters and unicoms. The equipment budget also includes $1,992 each year for radio equipment and $2,400 each year for emergency locator transmitter homer radios. The fiscal 1988 budget includes $1,000 to purchase a personal computer modem and software. The current year budget also contains $10,745 for $100 award grants. The grants are given to Montana teachers for attendance at the Aerospace Teacher Workshop.

TRANSPORTATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	15.00	15.00	12.00	12.00	(3.00)
Personal Service	$ 477,424	$ 484,034	$ 386,858	$ 387,381	(19.5)
Operating Expense	411,773	337,037	271,424	267,903	(28.0)
Equipment	10,014	380	1,000	-0-	(90.4)
Total Operating Costs	$ 899,211	$ 821,451	$ 659,282	$ 655,284	(23.6)
Non-Operating Costs	4,322,618	2,584,734	2,709,180	1,771,250	(35.1)
Total Expenditures	$5,221,829	$3,406,185	$3,368,462	$2,426,534	(32.8)
Fund Sources					
General Fund	$ 604,540	$ 504,040	$ 543,282	$ 539,284	(2.3)
State Special	75,000	71,250	71,250	71,250	(2.6)
Federal Revenue	4,542,289	2,830,895	2,753,930	1,816,000	(38.0)
Total Funds	$5,221,829	$3,406,185	$3,368,462	$2,426,534	(32.8)

The Transportation Division's purpose is to develop and maintain effective transportation systems in Montana. The division staff provides technical, legal, planning, and financial assistance to transportation users, providers and local governments. They are responsible for rate analysis and development of cost models to assess changes in transportation rates and systems.

Division staff also contributes recommendations for development of Montana's transportation system. This is accomplished through various state and federal programs of technical and financial assistance designed to assist shippers, agriculture, the rail and trucking industries, inter-city passenger carriers, urban public transportation, and other transportation providers and users. The division is also charged with administering the State Rail Plan and maintaining Montana's eligibility for general railroad assistance funding.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 7
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	15.00	15.00	0.00
Personal Service	$ 475,367	$ 477,424	$ (2,057)
Operating Expense	513,629	411,773	101,856
Equipment	2,336	10,014	(7,678)
Total Operating Costs	$ 991,332	$ 899,211	$ 92,121
Non-Operating Costs	6,013,168	4,322,618	1,690,550
Total Expenditures	$7,004,500	$5,221,829	$1,782,671
Funding			
General Fund	$ 611,108	$ 604,540	$ 6,568
State Special	75,000	75,000	-0-
Federal Revenue	6,318,392	4,542,289	1,776,103
Total Funds	$7,004,500	$5,221,829	$1,782,671

The unspent balance in operating expenses is appropriation authority for federal funds (Urban Mass Transportation Authority, UMTA) which the department never received. The funds would have been used for contractual services like special transportation studies. The non-operating underexpenditure was for the Geraldine Trust Fund appropriation that was not expended. The Geraldine Trust Fund is a fund created when the Burlington Northern Railroad paid back the costs which the federal government financed to maintain the Geraldine branchline.

Current Level Adjustments

For the 1989 biennium $100,000 of federal rail planning funds will no longer be available. The loss of the federal funds results in a reduction of 3.0 FTE from the current level base.

The current level base has been reduced from $238,805 to $116,000 in consultant services. The reduction is caused by a reduction in federal transportation funds. Of the remaining $116,000, approximately $100,000 per year is for the McCarty Farms case. The McCarty Farms case is a class action suit against the Burlington Northern Railroad and involves the railroad's shipping rates on wheat and barley.

BUSINESS ASSISTANCE DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	11.00	10.00	12.00	12.00	2.00
Personal Service	$350,481	$321,387	$367,858	$368,123	9.5
Operating Expense	330,376	500,545	326,035	323,569	(21.8)
Equipment	8,640	5,000	4,000	-0-	(70.7)
Total Expenditures	$689,497	$826,932	$697,893	$691,692	(8.4)
Fund Sources					
General Fund	$685,538	$700,432	$697,893	$691,692	0.3
Federal Revenue	3,959	126,500	-0-	-0-	(100.0)
Total Funds	$689,497	$826,932	$697,893	$691,692	(8.4)

The Business Assistance Division performs comprehensive services that constitute the direct technical assistance component of the Build Montana Economic Development effort, including the following programs:

Small Business Advocate and Business Licensing Center - Serves as the single contact for businesses in understanding and completing all licensing requirements necessary to open or remain in business.

Business Development Assistance Program - Provides for contracting opportunities on a domestic and federal level to manufacturing firms through the contract procurement market system.

Marketing Assistance Program - Aids manufacturers in penetrating product markets on a local, state, regional, and national basis; conducts the "Made in Montana" campaign.

Development Finance Assistance Program - Provides technical assistance in the areas of financial analysis and planning, loan packaging, bonding, business tax incentives and the availability of public and private capital sources.

International Trade Program - Aids businesses in marketing their products outside the United States.

Business Location Program - Conducts promotion and recruitment efforts to attract and relocate out-of-state firms in Montana.

Local Development Organization Assistance Program - Assists local development organizations in retaining, expanding and recruiting business.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 8
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	10.00	11.00	1.00
Personal Service	$320,760	$350,481	$(29,721)
Operating Expense	527,223	330,376	196,847
Equipment	5,000	8,640	(3,640)
Total Expenditures	$852,983	$689,497	$163,486
Funding			
General Fund	$726,483	$685,538	$ 40,945
Federal Revenue	126,500	3,959	122,541
Total Funds	$852,983	$689,497	$163,486

In fiscal 1986 a vacant position was transferred from Professional and Occupational Licensing to this program. The position was created to handle federal contract procurement and assistance for Montana businesses. The funds for this position were reallocated from contracted services to personal services. Funds had been appropriated for contracted services to provide this expertise.

The unexpended balance in operating expenses is caused by the department's not receiving the appropriated $126,500 of private funds for promoting business in Montana in fiscal 1986. The department received $3,959 or $122,540 less than estimated.

Current Level Adjustments

The current level base includes 2 FTE's which were transferred in from Professional and Occupational Licensing Boards.

In fiscal 1987 a secretarial position was transferred from Professional and Occupational Licensing to this program.

MONTANA PROMOTION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	11.00	11.00	11.00	11.00	0.00
Personal Service	$ 282,072	$ 256,591	$ 275,178	$ 275,040	2.1
Operating Expense	1,177,236	1,278,548	1,171,523	1,168,487	(4.7)
Equipment	7,947	1,500	329	329	(93.0)
Total Expenditures	$1,467,255	$1,536,639	$1,447,030	$1,443,856	(3.8)
Fund Sources					
General Fund	$1,233,330	$1,186,639	$1,197,030	$1,193,856	(1.2)
Federal Revenue	233,925	350,000	250,000	250,000	(14.4)
Total Funds	$1,467,255	$1,536,639	$1,447,030	$1,443,856	(3.8)

The Travel Promotion Program is responsible for promoting the state of Montana as a vacation destination nationally and internationally through advertising, publications, publicity, exhibits, direct contact with tour operators, and motion picture location promotion. The goal of the Travel Promotion Program is economic development through increased non-resident visitor expenditures and revenues.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 9
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	11.00	11.00	0.00
Personal Service	$ 256,203	$ 282,072	$(25,869)
Operating Expense	1,303,609	1,177,236	126,373
Equipment	3,000	7,947	(4,947)
Total Expenditures	$1,562,812	$1,467,255	$ 95,557
Funding			
General Fund	$1,237,812	$1,233,330	$ 4,482
Federal Funds	325,000	233,925	91,075
Total Funds	$1,562,812	$1,467,255	$ 95,557

In fiscal 1986 the division overexpended personal services because of the following reasons. First, there were 4 positions which received position upgrades in late fiscal 1985 and the upgrades were not included in the 1987 biennium budget. Second, one additional position was upgraded in fiscal 1986. Third, there was no turnover in positions and therefore budgeted vacancy savings was not realized. Fourth, the agency expended $790 for overtime costs. The funds were reallocated from operating expenses to cover the overexpenditure in personal services. Operating expenses were underexpended because private contributions, which were estimated at $325,000 for fiscal 1986 were not attained. Only $233,925 was received and these funds were used for promoting Montana through advertisement.

The overexpenditure in equipment results from the division's share of the department's computer acquisition.

Current Level Adjustments

The budget includes an additional $496 for exhibits, an additional $1,000 for computer maintenance, and a reduction of $3,576 in indirect costs.

HOUSING BUREAU

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Service	$ 182,027	$ 170,168	$ 183,101	$ 183,362	4.1
Operating Expense	109,669	83,866	107,565	106,061	10.4
Equipment	73,660	1,454	1,249	696	(97.4)
Total Operating Costs	$ 365,356	$ 255,488	$ 291,915	$ 290,119	(6.3)
Non-Operating Costs	7,113,868	8,043,964	9,732,120	9,736,196	28.4
Total Expenditures	$7,479,224	$8,299,452	$10,024,035	$10,026,315	27.1
Fund Sources					
Federal Revenue	$7,479,224	$8,299,452	$10,024,035	$10,026,315	27.1

The Section 8 Housing Bureau's primary function is to provide rental subsidies on behalf of approximately 2,600 eligible low-income families or individuals (including elderly, disabled, and handicapped families) statewide in decent, safe and sanitary housing through federally funded programs by the use of certificates (Existing Housing, Moderate-Rehabilitation and Rental Rehabilitation Programs) and vouchers (Rental Rehabilitation and Voucher Demonstration Programs). The secondary function of the bureau is to upgrade the rental housing stock available to low-income families and individuals through rehabilitation of substandard and marginal rental properties through the Moderate Rehabilitation and Rental Rehabilitation Programs.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 10
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	7.00	7.00	0.00
Personal Service	$ 170,169	$ 182,027	$ (11,858)
Operating Expense	80,015	109,669	(29,654)
Equipment	1,454	73,660	(72,206)
Total Operating Costs	$ 251,638	$ 365,356	$(113,718)
Non-Operating Costs	8,043,964	7,113,868	930,096
Total Expenditures	$8,295,602	$7,479,224	$ 816,378
Funding			
Federal Revenue	$8,295,602	$7,479,224	$ 816,378

The overexpenditure in personal service resulted from no vacancies in fiscal 1986 and $974 of overtime costs. Operating expenses were overexpended because of maintenance contracts on a new computer system. The equipment overexpenditure was caused by the purchase of a new computer system for $71,513.

Current Level Adjustments

The current level base has an increase of $5,475 for computer maintenance. Also built into the base is an additional $2,380 which is the indirect cost of the division's administration. There were current level reductions in consulting services of $7,382 and computer programming of $4,920.

ECONOMIC POLICY AND RESEARCH

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Service	$182,587	$197,531	$196,125	$195,926	3.1
Operating Expense	112,766	58,775	58,641	57,096	(32.5)
Equipment	8,393	789	2,131	1,908	(56.0)
Total Expenditures	$303,746	$257,095	$256,897	$254,930	(8.7)
Fund Sources					
General Fund	$264,578	$237,095	$236,897	$234,930	(5.9)
Federal Revenue	39,168	20,000	20,000	20,000	(32.4)
Total Funds	$303,746	$257,095	$256,897	$254,930	(8.7)

The Office of Economic Policy and Research is the central planning, coordination, and analysis unit for the department's programs. Primary functions include monitoring Montana's economy, formulating policy recommendations through the Governor's Council on Economic Development, conducting specific economic analysis projects, coordinating the departmental economic development policy group, distributing economic and demographic information through the Census and Economic Information Center, and presenting information on the department's economic development programs. This office also supervises staffing of the Montana Ambassadors.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 11
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	7.00	7.00	0.00
Personal Service	$200,124	$182,587	$ 17,537
Operating Expense	60,905	112,766	(51,861)
Equipment	6,619	8,393	(1,774)
Total Expenditures	$267,648	$303,746	$(36,098)
Funding			
General Fund	$247,648	$264,578	$(16,930)
Federal Revenue	20,000	39,168	(19,168)
Total Funds	$267,648	$303,746	$(36,098)

In fiscal 1986, $29,253 of general fund authority was transferred from the Business Assistance Program and the Business Licensing and Regulation Program. Also, the office received an additional $20,000 of federal fund spending authority which was transferred from the Transportation Division. Both of these transfers were allocated to operating expenses. The overexpenditure in operating costs was because the County Profiles cost more than budgeted. The County Profiles are an economic and statistical profile of the counties in Montana.

Current Level Adjustments

For fiscal 1986 the legislature appropriated $267,648 for the operations of this office. In fiscal 1987, $257,095 was appropriated. Although there was additional federal funding ($20,000) available for the program and the department was able to transfer in $29,253, these were funds and expenditures not considered or appropriated by the 1985 legislature. Therefore, the current level base for this program has been reduced to the fiscal 1986 and 1987 appropriated levels. The only exception is in indirect costs, audit costs, and rent. The remainder of the base budget reflects the prior biennium appropriation.

LOCAL GOVERNMENT AUDIT

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	28.70	27.70	24.70	24.70	(3.00)
Personal Service	$ 678,640	$786,006	$ 679,476	$ 679,558	(7.2)
Operating Expense	249,326	168,249	237,833	231,738	12.5
Equipment	4,096	-0-	13,000	10,500	473.7
Total Operating Costs	$ 932,062	$954,255	$ 930,309	$ 921,796	(1.8)
Non-Operating Costs	1,452,700	-0-	87,054	87,054	(88.0)
Total Expenditures	$2,384,762	$954,255	$1,017,363	$1,008,850	(39.3)
Fund Sources					
General Fund	$1,452,700	$ 84,789	$ 87,054	$ 87,054	(88.7)
Proprietary	932,062	869,466	930,309	921,796	2.8
Total Funds	$2,384,762	$954,255	$1,017,363	$1,008,850	(39.3)

The Local Government Audit Program exists to perform post-audits of the financial statements of local government entities across Montana. The program also performs special entity audits in cases of suspected fraud or misappropriation of funds. The audit function is designed to protect the taxpayers' interests by verifying that the financial conditions and operations are responsibly accounted for and reported, and that all appropriate statutes and regulations are complied with by local officials.

In fiscal 1987 the department transferred the District Court Reimbursement Program to the Local Government Systems Program. This transfer involved transfer of 1.0 FTE.

The division administrator was also taken out of this program and transferred to a newly created program entitled Local Government Administration. This transfer resulted in the reduction of 1.0 FTE in the Audit Program.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 12
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	28.70	28.70	0.00
Personal Service	$ 784,614	$ 678,640	$105,974
Operating Expense	235,329	249,326	(13,997)
Equipment	-0-	4,096	(4,096)
Total Operating Costs	$1,019,943	$ 932,062	$ 87,881
Non-Operating Costs	1,375,000	1,452,700	(77,700)
Total Expenditures	$2,394,943	$2,384,762	$ 10,181
Funding			
General Fund	$1,462,767	$1,452,700	$ 10,067
Proprietary	932,176	932,062	114
Total Funds	$2,394,943	$2,384,762	$ 10,181

The apparent overexpenditure in non-operating is an accounting transfer of general funds into a proprietary account. The transfer was not budgeted in fiscal 1986 but was required by the Department of Administration.

Current Level Adjustment

During fiscal 1986 there was one position which was vacant the entire fiscal year and another was vacant all but five days. In the current level base these vacant positions have been eliminated. A position which administers the district court assistance program was transferred to the Local Government Systems Program.

In operating expenses there was a reduction in contractual services for legal services ($2,029). The cost of legal services is now included in an indirect charge. The indirect cost increased $3,000 which reflects legal costs plus administrative expenses. Because of the reduction in personnel, the indirect charge for department administration was decreased $1,500.

Also included in the current level base is $13,000 in fiscal 1988 and $10,500 in fiscal 1989 for the acquisition of personal computers.

In the 1987 biennium the appropriation for District Court Assistance was included in the Local Government Audit Program. In the 1989 biennium this appropriation is included in the Local Government Systems Program.

LOCAL GOVERNMENT SYSTEMS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1989	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	9.00	9.00	6.30	6.30	(2.70)
Personal Service	$ 152,592	$ 265,208	$ 186,548	$ 186,355	(10.7)
Operating Expense	94,450	158,900	130,406	81,756	(16.3)
Equipment	7,135	-0-	4,250	4,250	19.1
Total Operating Costs	$ 254,177	$ 424,108	$ 321,204	$ 272,361	(12.5)
Non-Operating Costs	19,768,296	19,879,934	20,717,336	21,113,929	5.3
Total Expenditures	$20,022,473	$20,304,042	$21,038,540	$21,386,290	5.2
Fund Sources					
General Fund	$ 4,060,459	$11,004,389	$14,224,884	$14,656,519	91.7
State Special	15,763,635	9,035,776	6,659,469	6,575,571	(46.6)
Other	198,379	263,877	154,187	154,200	(33.3)
Total Funds	$20,022,473	$20,304,042	$21,038,540	$21,386,290	5.2

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Local Government Block Grant				
Option A	$(11,557,867)	$ -0-	$(12,038,358)	$ -0-
Option B	(2,313,100)	2,313,100	(2,313,100)	2,313,100
Option C	(6,557,867)	5,533,100	(7,038,358)	5,533,100
Option D	(11,557,867)	5,533,100	(12,038,358)	5,533,100
Option E	-0-	-0-	-0-	-0-
2. District Court				
Option B	(2,500,000)	2,500,000	(2,500,000)	2,500,000
Option C	-0-	-0-	-0-	-0-
Increase General Fund Revenues				
District Court				
Option A	2,700,000	-0-	2,700,000	-0-

The Local Government Systems Program exists to develop, implement, and maintain uniform budgetary, accounting and reporting systems for Montana cities, towns, counties, school districts, and single purpose districts. The staff provides special accounting assistance to local officials and ongoing training for local finance personnel, coordinates technical advice and assistance between state agencies and local governments, and is responsible for the timely receipt of budgets and annual

financial reports from counties, cities, and towns. During fiscal 1986, the District Court Reimbursement Program, the County Land Planning Grant Program, and the Local Government Block Grant Program were added to this bureau.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 13
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	9.00	9.00	0.00
Personal Service	$ 278,869	$ 152,592	$126,277
Operating Expense	183,146	94,450	88,696
Equipment	5,000	7,135	(2,135)
Total Operating Costs	$ 467,015	$ 254,177	$212,838
District Court	2,983,065	2,447,453	535,612
Local Gov. Block Grant	16,929,000	16,812,690	116,310
Land Planning	504,000	420,945	83,055
Accounting Transfer	-0-	87,208	(87,208)
Total Expenditures	$20,883,080	$20,022,473	$860,607
Funding			
General Fund	$ 4,636,928	$ 4,060,459	$576,469
State Special	15,963,000	15,763,635	199,365
Proprietary	283,152	198,379	84,773
Total Funds	$20,883,080	$20,022,473	$860,607

When the District Court Reimbursement Program was transferred from the Supreme Court to Commerce, there was a position created to administer the program. The cost of administering the program was $55,797 in fiscal 1986. The major part of the expenditure was $18,698 for audit costs.

As part of the program's 2 percent cut, a systems analyst position was kept vacant.

The underexpenditure in personal services reflects the adjustments made in the preceding paragraph plus the three positions which were vacant the entire fiscal year. Currently the program has five accounting system positions and only two are filled. This accounts for the underexpenditure of both the personal services and the operating costs in fiscal 1986.

The overexpenditure in equipment was caused by the purchase of a personal computer for the District Court Reimbursement Program.

Current Level Adjustments

In fiscal 1986 there was an accounting systems position (0.70 FTE) that was vacant for the entire fiscal year. The current level base does not include this position. Also, the two other vacant accounting system positions were not included in the current level base since there isn't the revenue to support them.

The current level base for operating expenses had the following major adjustments:

1. Contractual services was decreased from $4,943 to $0. In fiscal 1986 the department contracted form design for district court reimbursement.

2. Audit fees were increased from $21,407 to $48,910. This increase reflects the cost of auditing the District Court Reimbursement Program.

3. Indirect charges for departmental administration and division administration was increased $14,123.

Table 14 details the current level for the grant programs.

Table 14
1989 Biennium Current Level Grants

	Fund Source	FY 1988	FY 1989
District Court	General Fund	$ 2,500,000	$ 2,500,000
County Land Planning	Coal Severance Tax	245,469	257,571
Local Gov. Block Grant	General Fund	11,557,867	12,038,358
	Local Block Grant	6,414,000	6,318,000
Total		$20,717,336	$21,113,929

The current level base for the Local Government Block Grant (LGBG) has been set at the level which would fully fund the state's statutory obligation to local governmental units. The funds to finance a fully funded LGBG program are detailed in Table 16. The main difference between fiscal 1986 and the 1989 biennium funding of the LGBG is that the vehicle fees to help finance the program expire July 1, 1987. Therefore, $2.3 million in revenues are not available. Also, revenues from the Oil Severance Tax have decreased from $11.6 million in fiscal 1986 to $6.4 million in fiscal 1988 and $6.3 million in fiscal 1989. In the current level these reductions have been replaced with general fund.

Not included in the current level is the potential impact of the recent Supreme Court decision to award Lewis and Clark County $1.016 million to correct a calculation error in the county's determination of its share of the LGBG. The $1.016 million reflects the funds owed the county for fiscal 1982, 1983, and 1984. The court's decision is very explicit that the state owes Lewis and Clark county $1.016 million for

fiscal years 1982 through 1984, and that the error must be corrected for future fiscal years. The current level does include the impact of the Supreme Court decision on fiscal years 1988 and 1989. Left unanswered is whether the state must reimburse Lewis and Clark County for the error in fiscal 1985 and 1986. Table 15 details the amount that is due Lewis and Clark county by fiscal year. The table also projects the amount that would have to be added to the current level (fiscal years 1988 and 1989) to fully fund the LGBG.

Table 15
Lewis & Clark LGBG Error Correction

Fiscal Year	Amount Due
1982	$315,982
1983	340,955
1984	360,074
1985	387,049
1986	410,814
Estimate	
1987	434,536
1988	458,257
1989	481,978
Accumulative Total	$3,189,645

ISSUE 1: LOCAL GOVERNMENT BLOCK GRANT

The estimated cost of a fully funded Local Government Block Grant Program is $17,971,867 in fiscal 1988 and $18,356,358 in fiscal 1989. The revenues dedicated to the program is one-third of the oil severance tax. Table 16 has the estimated revenue from this source. The table also contains the amount of general fund that would be needed to fully fund the program.

Table 16
Estimated Local Government Block Grant Revenues

	FY 1988	FY 1989
1/3 Oil Severance Tax	$ 6,414,000	$ 6,318,000
General Fund	11,557,867	12,038,358
Total Revenues	$17,971,867	$18,356,358
Estimated Local Government Block Grant Program Cost	$17,971,867	$18,356,358

During Special Session III the legislature was presented with a potential shortfall in revenues for the Local Government Block Grant Program. The shortfall for the 1987 biennium was estimated to be $7,936,450. The legislature addressed the shortfall from two directions. First, the legislature amended sections 7-6-302, 303, 304, and 305 (MCA) which is the Local Government Block Grant Program section of state statute. The sections were amended to state that the Department of Commerce must distribute the Local Government Block Grant funds to the "extent funds are available." This language was added to the statute to limit the state's obligation if the revenues that were dedicated to the program were less than estimated. For example, the 1987 biennium original estimate for the portion of oil severance tax that would be deposited into the program was $24,736,000. The most recent LFA estimate for the oil severance tax that would be dedicated to the program is $17,042,245 ($11,576,245 actually collected in fiscal 1986, and an estimated amount of $5,466,000 for fiscal 1987). The total amount of oil severance tax available for the biennium is $7,693,755 less than estimated. Therefore, if nothing else had occurred in the special session, the amendments enacted during the session would have prorated the oil severance tax revenue shortfall.

The second action which the legislature took in regards to the revenue shortfall was to appropriate $6,500,000 general fund to the Local Government Block Grant account for fiscal 1987. Table 17 details the 1987 biennium Local Government Block Grant Program. The table projects that in fiscal 1987 the department will be required to prorate a shortfall of $3,626,782.

Table 17
1987 Biennium
Local Government Block Grant Program

	Fiscal 1986 Actual	Fiscal 1987
LGBG Revenues		
Oil Severance Tax	$11,576,245	$ 5,466,000
Vehicle Fees	2,114,450	2,313,100
General Fund		
Original Appropriation	1,470,000	1,425,000
Transfer from 1987	1,643,346	(1,643,346)
Supplemental Appropriation	-0-	6,500,000
Prior Year Balance	8,649	-0-
Total Funds Available	$16,812,690	$ 14,060,754
LGBG Expenditures	16,812,690	17,687,536
Shortfall	$ -0-	$ (3,626,782)

In establishing the current level for the 1989 biennium the LFA has assumed that the Local Government Block Grant Program is fully funded. Table 16 details the LFA's most recent revenue estimates for the program. The estimate includes a general fund appropriation of $23,596,225 for the biennium to fully fund the program. To reduce or eliminate the general fund support of the program there are a number of alternatives that the legislature may wish to consider.

The first alternative is to simply appropriate only the oil severance tax to the program. The amendments which were passed in Special Session III changed the mandate given to the Department of Commerce to distribute the total amount determined by a formula to distributing the funds available. In other words the state's obligation has been changed from cost determined by a formula in statute to an obligation which is equal to the funds available. If the revenues are not equal to the original appropriation then the program must be reduced, not alternative revenue found to make up the difference.

In reviewing state statutes there is only one revenue account which is mandated to financing the Local Government Block Grant Program. That account is the Local Government Block Grant account. There is one source of revenue for the Local Government Block Grant account. That is one-third of the oil severance tax.

The general fund has no statutory obligation to finance the program. If the legislature did not appropriate any general fund to the program and let the available revenues be prorated then the general fund savings would be $23,596,225.

A second alternative that the legislature could consider would be to raise the vehicle fee. The vehicle fee is part of the cost of registering vehicles in Montana. The vehicle registration fee is divided into 6 categories dependent upon the age and the weight of the vehicle. Table 18 details the fiscal 1987 fee for vehicles.

Table 18
1987 Vehicle Fees

Weight	Purpose	Age 0-4	Age 5-7	Age Over 8
Under 2,850	Local Gov't	$ 86.00	$49.00	$12.00
	Dist. Court	7.00	5.00	2.50
	Block Grant	6.00	3.00	1.50
	Total	$ 99.00	$57.00	$16.00
Over 2,850	Local Gov't	$111.00	$61.00	$18.00
	Dist. Court	7.00	5.00	2.50
	Block Grant	7.50	4.00	2.00
	Total	$125.50	$70.00	$22.50

The line entitled Block Grant is the portion of the fee which is dedicated to the Local Government Block Grant Program.

For every one dollar the block grant portion of the fee is increased an additional $644,000 is raised. Therefore, if the legislature wished to fund the entire LGBG program from the Oil severance tax and vehicle fees the fees would have to be raised $13.44. Table 19 details some various possible increases in fees and the revenue that would be produced.

Table 19
Varius Vehicle Fee Increases

Increased Fee	Additional Revenue Per Year
$ 1.00	$ 644,000
5.00	3,220,000
10.00	6,440,000
13.44	8,655,360

The following are just four of potentially any number of combinations of revenue increases and general fund support of the program. If any particular funding formula is desired the calculations could be made.

Option A: Eliminate the general fund financing of the Local Government Block Grant Program. This would save the general fund $23,596,225 for the biennium.

Option B: Reinstate the Local Government Block Grant vehicle fee at the fiscal 1987 level. This would save $4,626,200 general fund for the biennium.

Option C: Reduce the general fund appropriation to $5,000,000 general fund per year and reinstate and raise the vehicle fees by $5.00 per registration. This would finance 94.3 percent of the program in fiscal 1988 and 91.8 percent in fiscal 1989 and would produce a general fund savings of $13,596,225 for the biennium.

Option D: Reinstate and increase the vehicle fees by $5.00 per vehicle and provide no general fund support. This option would fund approximately 66 percent of the program. The general fund savings would be $23,596,225 for the biennium.

Option E: Continue the current level general fund support. No general fund savings.

Table 20 details the five options and the percentage of the program each would finance.

Table 20
Local Government Block Grant Funding Options

	Fiscal 12988		Fiscal 1989	
	Revenues	Percent of Program Funded	Revenues	Percent of Program Funded
Fully Funded LGBG Program	**$17,971,867**	**100.0%**	**$18,356,358**	**100.0%**
Option A:				
Oil Severance Tax	6,414,000	35.7%	6,318,000	34.4%
Option B:				
Oil Severance Tax	6,414,000		6,318,000	
Reinstate Vehicle Fees	2,313,100		2,313,100	
Total Option B	$ 8,727,100	48.6%	$ 8,631,100	47.0%
Option C:				
Oil Severance Tax	6,414,000		6,318,100	
Reinstate Vehicle Fees	2,313,100		2,313,100	
Raise Vehicle Fees ($5.00/veh)	3,220,000		3,220,000	
General Fund	5,000,000		5,000,000	
Total Option C	$16,947,100	94.3%	$16,851,200	91.8%
Option D:				
Oil Severance Tax	6,414,000		6,318,000	
Reinstate Vehicle Fees	2,313,100		2,313,100	
Raise Vehicle Fees ($5.00/veh)	3,220,000		3,220,000	
Total Option D	$11,947,100	66.5%	$11,851,100	64.6%
Option E:				
Oil Severance Tax	6,414,000		6,318,000	
(Current Level) General Fund	11,557,867		12,038,358	
Total Option E	$17,971,867	100.0%	$18,356,358	100.0%

ISSUE 2: CONTINUED GENERAL FUND SUPPORT OF DISTRICT COURT CRIMINAL CASES COSTS

The 1985 legislature provided general fund for certain expenses related to criminal cases in district courts. Section 3-5-901, MCA, states certain costs which the state would assume to the extent funds were available. In fiscal 1986 the legislature appropriated $3,079,720 and for fiscal 1987 $2,995,229 was appropriated. Of the $3,079,720 appropriated in fiscal 1986, $2,503,250 was expended.

To offset the costs to the general fund the legislature added to the vehicle registration fee which was deposited into the general fund. The cost of the fee is dependent upon the age of the vehicle being registered. Table 20 contains the current fee schedule.

Table 21
District Court Fees

Vehicle Age	Fee
0-4	$7.00
5-7	5.00
Over 8	2.50

In fiscal 1986 the fee deposited into the general fund totaled $2,409,577. The estimated revenue for fiscal 1987 is $2,733,000.

The legislation which established the fee has a sunset date of July 1, 1987. Therefore, the revenues which the general fund receives to offset the costs will no longer be available. The current level budget contains $2,579,903 ($2,500,000 for grants and $79,903 for administration) per year for distribution to the district court. If the legislature continued the fee on into the next biennium, the general fund would receive an additional $2.7 million per year. If the costs are kept at the $2.58 million level the general fund would gain $0.2 million per year.

Option A: Amend the sunset date until July 1, 1989 (or eliminate the sunset entirely) and maintain the current revenue flow to the general fund from vehicle registrations. This would increase revenue to the general fund by $2.7 million per year.

Option B: Remove the sunset date and dedicate the revenues to the program. This option would eliminate the general fund support of the program and reduce general fund revenues by the amount of fees collected.

Option C: Allow the fee to expire. The legislature would then be faced with the question of appropriating general fund for the program. If the current level program is maintained the general fund cost would be $2,579,903 per year.

LOCAL GOVERNMENT ADMINISTRATION

Budget Item	Actual 8Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.00	0.00	2.00	2.00	2.00
Personal Service	$46,698	$ -0-	$84,554	$84,615	NMF
Operating Expense	5,149	-0-	12,986	12,537	NMF
Equipment	500	-0-	-0-	-0-	NMF
Total Expenditures	$52,347	$ -0-	$97,540	$97,152	NMF
Fund Sources					
Proprietary	$52,347	$ -0-	$97,540	$97,152	NMF

The Local Government Assistance Division-Administrator Program represents the budget for the operations of the administrator of the division and the division's legal counsel. The administrator supervises the functions of the Housing Assistance Bureau, Community Development Bureau, which includes the Coal Board and the Hard Rock Mining Board, the Audit Bureau and the Systems Bureau, which includes the Local Government Block Grant, District Court Reimbursement, and County Land Planning distribution functions.

This is a new program created in fiscal 1986. The division administrator position was transferred out of the Audit Program into this program. Also, an attorney position in the Legal Services Division was transferred to this program when the Legal Services Division was disbanded.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 22
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	0.00	2.00	(2.00)
Personal Service	$ -0-	$46,698	$(46,698)
Operating Expense	-0-	5,149	(5,149)
Equipment	-0-	500	(500)
Total Expenditures	$ -0-	$52,347	$(52,347)
Funding			
Proprietary	$ -0-	$52,347	$(52,347)

The department reorganized the Local Government Division and established an administration program. The division administrator plus an attorney make up the program's personnel.

Current Level Adjustments

During the 1987 biennium the division was reorganized and the Local Government Administration Program was created. The program is financed by indirect costs which are included in the other programs in the Local Government Division.

The major increase from fiscal 1986 to fiscal 1988 is indirect costs which increased $2,867.

BUILDING CODES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	29.50	28.00	29.00	29.00	1.00
Personal Service	$ 738,665	$766,253	$ 807,635	$ 809,817	7.5
Operating Expense	356,469	177,388	350,264	345,983	30.4
Equipment	138,513	-0-	1,400	147,580	7.6
Total Expenditures	$1,233,647	$943,641	$1,159,299	$1,303,380	13.1
Fund Sources					
State Special	$1,233,647	$943,641	$1,159,299	$1,303,380	13.1

The Building Codes Bureau establishes and enforces minimum building, plumbing, mechanical, electrical and energy standards to safeguard the public in design and construction of buildings, recreational vehicles and factory built buildings, in accordance with the authority assigned in Title 50, Chapter 60, MCA. The bureau achieves compliance with minimum standards through review and approval of plans, issuance of building, plumbing, mechanical and electrical permits, issuance of factory building and recreational vehicle insignias, and field inspection of buildings and installations.

During the 1987 biennium the Boards of Plumbers and Electricians were incorporated in the Building Codes Division. In fiscal 1987 this inclusion of the boards increased the division's budget by $172,148 of state special revenue funds. Also, 2.0 FTE were added to the division. One FTE was transferred to Management Services in fiscal 1987. These adjustments explain the growth of 1.0 FTE in the current level base. The "Appropriated Fiscal 1987" column in the previous table does not include the transfer in of the Boards of Plumbers and Electricians.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 23
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	28.50	29.50	(1.00)
Personal Service	$ 782,947	$ 738,665	$ 40,282
Operating Expense	236,873	356,469	(119,596)
Equipment	148,256	138,513	9,743
Total Expenditures	$1,168,076	$1,233,647	$ (65,571)
Funding			
State Special	$1,168,076	$1,233,647	$ (65,571)

One of the reasons for the overexpenditure in operating expenses is the transfer in of the Boards of Plumbers and Electricians. Another factor which contributed in the overexpenditure was the overhead cost associated with the department's funding of the Management Services Division and the Business Regulation Administration Program. In fiscal 1986 these costs totaled $117,167.

Current Level Adjustments

The current level base includes the adjustments made in fiscal 1986 to transfer in the Board of Plumbers and the Board of Electricians which is an additional $153,660 in fiscal 1988 and $151,561 in fiscal 1989.

There has been some internal transfer of costs in the current level base. With an attorney transferred to the Business Assistance Division, the legal expenditures have been transferred to indirect costs. The expenditure for gasoline has been increased by $18,143 but expenditure for propane, instate travel, and motor pool costs were reduced by $19,241.

The equipment budget contains $147,850 in fiscal 1989 to replace 16 vehicles which were all purchased in fiscal 1986 and will have over 100,000 miles by fiscal 1989.

COAL BOARD

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.50	2.50	2.50	2.50	0.00
Personal Service	$ 81,710	$ 80,730	$ 82,390	$ 82,508	1.5
Operating Expense	57,697	104,591	59,205	49,977	(32.7)
Equipment	1,546	2,028	-0-	-0-	(100.0)
Total Operating Costs	$ 140,953	$ 187,349	$ 141,595	$ 132,485	(16.5)
Non-Operating Costs	5,126,183	1,673,698	4,154,104	4,375,002	25.4
Total Expenditures	$5,267,136	$1,861,047	$4,295,699	$4,507,487	23.5
Fund Sources					
State Special	$5,267,136	$1,861,047	$4,295,699	$4,507,487	23.5

The Coal Board provides grants to local governments where adverse impacts have occurred as a result of large-scale coal development. The program is administered by a gubernatorial appointed board that acts on applications from local governments for public facilities or services intended to relieve the demand for public services and facilities caused by coal industries. In fiscal 1987 the legislature (during Special Session III) reduced the spending authority of the Coal Board by $1,000,000. The funds will be transferred to the general fund. The increase in non-operating funds in the 1989 biennium reflects the increase in the percentage of coal severance tax transferred to the Coal Board. The percentage increases from 2.64 percent in fiscal 1987 to 6.65 percent in fiscal 1988 and 1989.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 24
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	2.50	2.50	0.00
Personal Service	$ 81,815	$ 81,710	$ 105
Operating Expense	114,351	57,697	56,654
Equipment	2,028	1,546	482
Total Operating Costs	$ 198,194	$ 140,953	$ 57,241
Non-Operating Costs	2,920,130	5,126,183	(2,206,053)
Total Expenditures	$3,118,324	$5,267,136	$(2,148,812)
Funding			
State Special	$3,118,324	$5,267,136	$(2,148,812)

The fiscal 1986 non-operating expenditure is the Coal Board grants. The amount ($5,126,183) is primarily expenditures from prior year appropriations. Of the $5,126,183 expended, $5,023,599 is from fiscal 1984 and fiscal 1985 appropriations.

The department underexpended contract services by $27,200 in fiscal 1986.

Current Level Adjustment

The current level base was increased $8,000 in fiscal 1988 for legislative audit fees.

HARD ROCK MINING BOARD

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E	2.00	2.00	2.00	2.00	0.00
Personal Service	$58,121	$ 61,364	$ 61,051	$ 61,093	2.2
Operating Expense	30,497	68,267	29,400	29,209	(40.7)
Equipment	1,212	-0-	-0-	-0-	(100.0)
Total Operating Costs	$89,830	$129,631	$ 90,451	$ 90,302	(17.6)
Non-Operating Costs	-0-	/84,288	1,008,549	1,280,698	166.3
Total Exp. & SPR	$89,830	$913,919	$1,099,000	$1,371,000	128.9

The Hard Rock Mining Board assists mineral developers and local government units prepare, review and implement impact plans for new, large-scale hard rock mines; arbitrates disputes between local governments and mining companies; makes determinations on impact plan waivers; and awards grants and loans to mitigate fiscal and economic impacts of mine workforce reduction and closure.

The Hard Rock Mining Board receives one-third of the metalliferous mines license tax. The revenue from the license tax is first dedicated to the administrative expenses of the board. The remaining balance after administrative expenses is transferred to a hard rock mining impact trust account. Within the trust account are subaccounts and the funds are segregated by the county from which the revenues are received. If at some point in the future the mine is shut down or reduces its production by over 50 percent, the county can apply for use of the trust account fund for the impact costs of the reduced tax revenues.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 25
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	2.00	2.00	0.00
Personal Service	$ 60,968	$58,121	$ 2,847
Operating Expense	79,823	30,497	49,326
Equipment	575	1,212	(637)
Total Expenditures	$141,366	$89,830	$ 51,536
Funding			
State Special	$141,366	$89,830	$ 51,536

For the 1987 biennium the legislature appropriated $1,003,749 for the operational expenses of the Hard Rock Board and the payment into the hard rock mining impact trust account. In fiscal 1986 the expenditures for administration were $89,830. This leaves an appropriated balance of $913,919 for fiscal 1987. Revenues for the biennium are estimated, by the Office of the Legislative Fiscal Analyst to be $1,065,810 which is $62,061 greater than the $1,003,749 appropriated. The additional revenue plus any unspent appropriation balance will lapse into an expendable trust fund account at the end of the biennium.

Current Level Adjustments

The budget for the 1989 biennium is based upon the Legislative Fiscal Analyst's estimate of the metalliferous mines license tax. Thirty-three percent of the tax is allocated to the board for operations and for deposit into the hard rock mining impact trust account. For fiscal 1988 the revenue estimated for the Hard Rock Board is $1,099,000 and $1,371,000 for fiscal 1989.

COMMUNITY DEVELOPMENT

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	8.50	8.50	8.50	8.50	0.00
Personal Service	$ 224,693	$ 238,570	$ 245,833	$ 245,621	6.1
Operating Expense	151,737	156,932	140,930	139,307	(9.2)
Equipment	3,025	484	223	-0-	(93.1)
Total Operating Costs	$ 379,455	$ 395,986	$ 386,986	$ 384,928	(0.5)
Non-Operating Costs	5,680,475	6,068,440	5,262,651	5,262,651	(10.4)
Total Expenditures	$6,059,930	$6,464,426	$5,649,637	$5,647,579	(9.8)
Fund Sources					
General Fund	$ 196,790	$ 196,539	$ 211,539	$ 209,481	7.0
Federal Revenue	5,863,140	6,267,887	5,438,098	5,438,098	(10.3)
Total Funds	$6,059,930	$6,464,426	$5,649,637	$5,647,579	(9.8)

The Community Development Program receives, awards, administers and monitors federal HUD funds intended to assist local governments with their greatest public facilities, housing, and economic development needs by funding projects that will principally benefit low to moderate income people in their communities.

Technical assistance is provided to local governments. Much of the assistance is accomplished through training workshops, publications and automated data retrieval.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 26
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	8.50	8.50	0.00
Personal Service	$ 237,940	$ 224,693	$ 13,247
Operating Expense	165,674	151,737	13,937
Equipment	349	3,025	(2,676)
Total Operating Costs	$ 403,963	$ 379,455	$ 24,508
Non-Operating Costs	7,600,000	5,680,475	1,919,525
Total Expenditures	$8,003,963	$6,059,930	$1,944,033
Funding			
General Fund	$ 204,173	$ 196,790	$ 7,383
Federal Revenue	7,799,790	5,863,140	1,936,650
Total Funds	$8,003,963	$6,059,930	$1,944,033

In fiscal 1986 the state received $1,919,525 less in federal community development block grant than estimated. This is the reason for the underexpenditure in non-operating costs.

Current Level Adjustments

The current level base includes a $2,500 increase in insurance cost. The legal costs were transferred from contract services to indirect costs and were also reduced by $14,000. The transfer for department administration was increased by $4,000.

INDIAN AFFAIRS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Service	$54,879	$ 66,443	$55,346	$55,408	(8.7)
Operating Expense	32,882	36,404	32,273	32,020	(7.2)
Equipment	1,915	-0-	-0-	-0-	(100.0)
Total Exp. & Gen. Fund	$89,676	$102,847	$87,619	$87,428	(9.1)

The Indian Affairs Coordinator serves as the Governor's liaison with the state's Indian tribes and provides information and policy support to state, local, and federal officials in the areas of tribal affairs and Indian law. The coordinator also serves the Montana congressional delegation as an advisor and intermediary in the field of Indian affairs and acts as spokesman for representative Indian organizations and groups, both public and private, whenever that support is solicited.

The Indian Affairs Coordinator is entirely supported with general fund.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 27
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	3.00	2.00	1.00
Personal Service	$ 69,561	$54,879	$14,682
Operating Expense	37,867	32,882	4,985
Equipment	-0-	1,915	(1,915)
Total Expenditures	$107,428	$89,676	$17,752
Funding			
General Fund	$107,428	$89,676	$17,752

The department eliminated one clerical position to save general fund as part of the department's 2 percent cut in fiscal 1986 and the 5 percent cut in fiscal 1987.

Current Level Adjustments

The current level base includes the elimination of one clerical position which was reduced by the 5 percent cuts.

HEALTH FACILITIES AUTHORITY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	3.00	3.00	3.00	3.00	0.00
Personal Service	$ 73,313	$ 72,027	$ 74,459	$ 74,435	2.4
Operating Expense	42,770	49,625	48,136	40,546	(4.0)
Equipment	13,378	-0-	265	-0-	(98.0)
Total Expenditures	$129,461	$121,652	$122,860	$114,981	(5.3)
Fund Sources					
Proprietary	$129,461	$121,652	$122,860	$114,981	(5.3)

The Montana Health Facility Authority issues revenue bonds and notes to finance capital projects for public and private non-profit health facilities at borrowing rates below those otherwise available. Two types of programs are operated by the authority: one to provide financing for individual facilities, and the other to satisfy the capital needs of a pool of institutions.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 28
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	3.00	3.00	0.00
Personal Service	$ 72,202	$ 73,313	$(1,111)
Operating Expense	55,171	42,770	12,401
Equipment	-0-	13,378	(13,378)
Total Expenditures	$127,373	$129,461	$(2,088)
Funding			
Proprietary	$127,373	$129,461	$(2,088)

The overexpenditure in equipment is the division's share ($6,500) of the department's computer acquisition costs, $1,400 of additional computer cost and $5,500

of office equipment. The division had just moved into the Metcalf Building.

Current Level Adjustments

The current level base has been increased $700 for the costs incurred for audit by the legislative auditor.

MONTANA ECONOMIC DEVELOPMENT BOARD

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Service	$214,588	$232,084	$233,111	$232,953	4.3
Operating Expense	99,344	128,748	98,447	89,862	(17.4)
Equipment	6,489	3,061	2,136	2,136	(55.3)
Total Operating Costs	$320,421	$363,893	$333,694	$324,951	(3.8)
Non-Operating Costs	189,042	180,141	158,972	144,883	(17.7)
Total Expenditures	$509,463	$544,034	$492,666	$469,834	(8.6)
Fund Sources					
General Fund	$189,042	$180,141	$158,972	$144,883	(17.7)
Proprietary	320,421	363,893	333,694	324,951	(3.8)
Total Funds	$509,463	$544,034	$492,666	$469,834	(8.6)

The Montana Economic Development Board is responsible for administering the Coal Tax Loan Program, the Montana Capital Companies Program, the Industrial Development Revenue Bond Program, and the Municipal Finance Program. The Montana Capital Companies Program encourages investment in venture capital firms through a tax credit program. As a result, venture capital is made available in Montana. The Coal Tax Loan and Industrial Development Revenue Bond Programs assist Montana's small businesses in obtaining long-term, fixed-rate financing through private (Montana) lending institutions. The Municipal Finance Program provides short-term and intermediate term financing to local governments at reduced costs.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 29
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	7.00	7.00	0.00
Personal Service	$234,797	$214,588	$20,209
Operating Expense	142,879	99,344	43,535
Equipment	8,006	6,489	1,517
Total Operating Costs	$385,682	$320,421	$65,261
Non-Operating Costs	191,321	189,042	2,279
Total Expenditures	$577,003	$509,463	$67,540
Funding			
General Fund	$191,321	$189,042	$ 2,279
Proprietary	385,682	320,421	65,261
Total Funds	$577,003	$509,463	$67,540

Current Level Adjustments

In fiscal 1986 the board expended $4,523 on a report entitled, "Potential Uses of the Coal Tax Trust Fund." These funds are not included in the current level base. Legislative audit fees have been reduced by $2,150 in the current level base. The board is located in the Metcalf Building and the rental costs were increased by $2,221 which reflects full year funding. Maintenance contracts on board computer equipment was increased by $2,485.

MONTANA SCIENCE AND TECHNOLOGY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.00	2.00	0.00	0.00	(2.00)
Personal Service	$ 83,814	$ 89,528	$ -0-	$ -0-	(100.0)
Operating Expense	57,219	60,989	-0-	-0-	(100.0)
Equipment	8,005	3,192	-0-	-0-	(100.0)
Total Operating Costs	$149,038	$ 153,709	$ -0-	$ -0-	(100.0)
Non-Operating Costs	156,578	1,504,285	-0-	-0-	(100.0)
Total Expenditures	$305,616	$1,657,994	$ -0-	$ -0-	(100.0)
Fund Sources					
State Special	$305,616	$1,657,994	$ -0-	$ -0-	(100.0)

The 1985 legislature created the Office of Science and Technology to strengthen and diversify Montana's economy by establishing a public-private sector partnership to encourage scientific and technological development within the state. The office was to keep the state in step with a transforming economic structure and to create new jobs and expanded small business opportunities.

For the 1987 biennium, the 1985 legislature appropriated $2,000,000 (reduced to $1,963,610 in Special Session III) for the office and funding of science and technology research programs. The funds were allocated from the Department of Natural Resources and Conservation, Alternative Energy Research Development and Demonstration Program. House Bill 812, which created the office and transferred the alternative energy funds, states that "...[this act] contemplates the temporary, one-time appropriation of a portion of the allocation to the alternative energy research development and demonstration account for funding the science and technology research program of the Montana Science and Technology Development Board..." (90-3-101 MCA). Since the legislature specifically stated that the use of alternative energy funds was a one-time appropriation we have not included a current level base for this program because there is no funding to support it.

BOARD OF HOUSING

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	13.00	13.00	14.00	14.00	1.0
Personal Service	$ 327,604	$ 335,613	$ 386,787	$ 387,115	16.7
Operating Expense	766,336	923,702	809,237	765,904	(6.8)
Equipment	16,564	800	2,890	2,890	(66.7)
Total Expenditures	$1,110,504	$1,260,115	$1,198,914	$1,155,909	(0.7)
Fund Sources					
Proprietary	$1,110,504	$1,260,115	$1,198,914	$1,155,909	(0.7)

The Montana Board of Housing, created by the Montana Housing Act of 1975, is an agency of the state and is within the Department of Commerce for administrative purposes. The Board is established to provide decent, safe and sanitary housing in the state which is within the financial capabilities of lower income persons and families. Public moneys are made available through the issuance of revenue bonds to assist private enterprise and governmental agencies in meeting critical housing needs. The board operates both single family and multi-family programs, administers federal housing programs at the state level, renders technical assistance, and conducts other activities which fulfill the program's legislative purpose.

In fiscal 1986 the department transferred a position from Management Services Division to the Board of Housing. The position was used to create an assistant administrator.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 30
Comparison of the Appropriation to Actual Expenses* - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	13.00	13.00	0.00
Personal Service	$ 335,637	$ 327,604	$ 8,033
Operating Expense	783,026	766,336	16,690
Equipment	11,223	16,564	(5,341)
Total Expenditures	$1,129,886	$1,110,504	$19,382
Funding			
Proprietary	$1,129,886	$1,110,504	$19,382

*Excluding debt service payments.

The overexpenditure in equipment was caused by a $13,740 expenditure for computer equipment.

Current Level Adjustments

The current level base includes an increase of $2,399 in indirect costs and an increase of $1,149 in travel. The base also includes an increase of $65,589 for foreclosure fees.

MANAGEMENT SERVICES - DIRECTORS OFFICE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	27.00	27.00	24.20	24.20	(2.80)
Personal Service	$774,662	$711,553	$668,920	$667,503	(10.1)
Operating Expense	195,755	158,756	215,359	152,853	3.9
Equipment	26,556	-0-	2,725	2,934	(78.7)
Total Expenditures	$996,973	$870,309	$887,004	$823,290	(8.4)
Fund Sources					
General Fund	$125,013	$125,862	$120,413	$119,052	(4.5)
Proprietary	871,960	744,447	766,591	704,238	(9.0)
Total Funds	$996,973	$870,309	$887,004	$823,290	(8.4)

Director's Office

The Director's Office provides the department with executive, administrative and policy guidance. This office acts as the liaison among private business, local governments, administratively attached boards and the Governor's Office in the effort to improve and stabilize the economic climate in Montana.

Management Services Division

The Management Services Division provides internal support to all agency programs. The services provided include budgeting, accounting, purchasing, contracting, personnel administration, payroll, training, and the analysis, development, maintenance and supervision of department data processing systems and hardware.

County Printing Board

The County Printing Board is responsible for setting maximum prices which may be charged for county printing and legal advertising. The general fund supports the County Printing Board.

Legal Services

In fiscal 1986 the department reorganized the legal section and transferred an attorney and a paralegal to the Director's Office/Management Service Division. Also transferred in was 2.50 FTE Consumer Protection and 1.00 FTE for the Public Contractor's Office. In the beginning of fiscal 1986 legal advice was provided by the Legal Services Division. The division had 3.50 FTE's and the Public Contractor and Consumer Protection Programs were housed within the Legal Division. The department reorganized and transferred the personnel of the division to other programs. Table 31 details the reorganization of the Legal Services Division.

Table 31
Distribution of Legal Services Division Positions

Fiscal 1986		Fiscal 1988	
Legal Services Division		Director/Management Services Div.	
Consumer Protection	2.50 FTE	Consumer Protection	2.50 FTE
Public Contractors	1.00 FTE	Public Contractor	1.00 FTE
Legal	4.50 FTE	1.5 Attorney	1.50 FTE
		Professional & Occupational Lic.	
		Attorney	1.00 FTE
		Local Government	1.00 FTE
Total	8.00 FTE	Total	7.00 FTE

Note: One position was eliminated in the reorganization.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 32
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	27.00	27.00	0.00
Personal Service	$ 749,255	$774,662	$(25,407)
Operating Expense	235,701	195,755	39,946
Equipment	41,150	26,556	14,594
Total Expenditures	$1,026,106	$996,973	$ 29,133
Funding			
General Fund	$ 135,772	$125,013	$ 10,759
Proprietary	890,334	871,960	18,374
Total Funds	$1,026,106	$996,973	$ 29,133

Current Level Adjustments

Within the Director's Office/Management Services Division are six distinctive functions. Table 33 details the funding of the division.

Table 33
Directors/Management Service Division

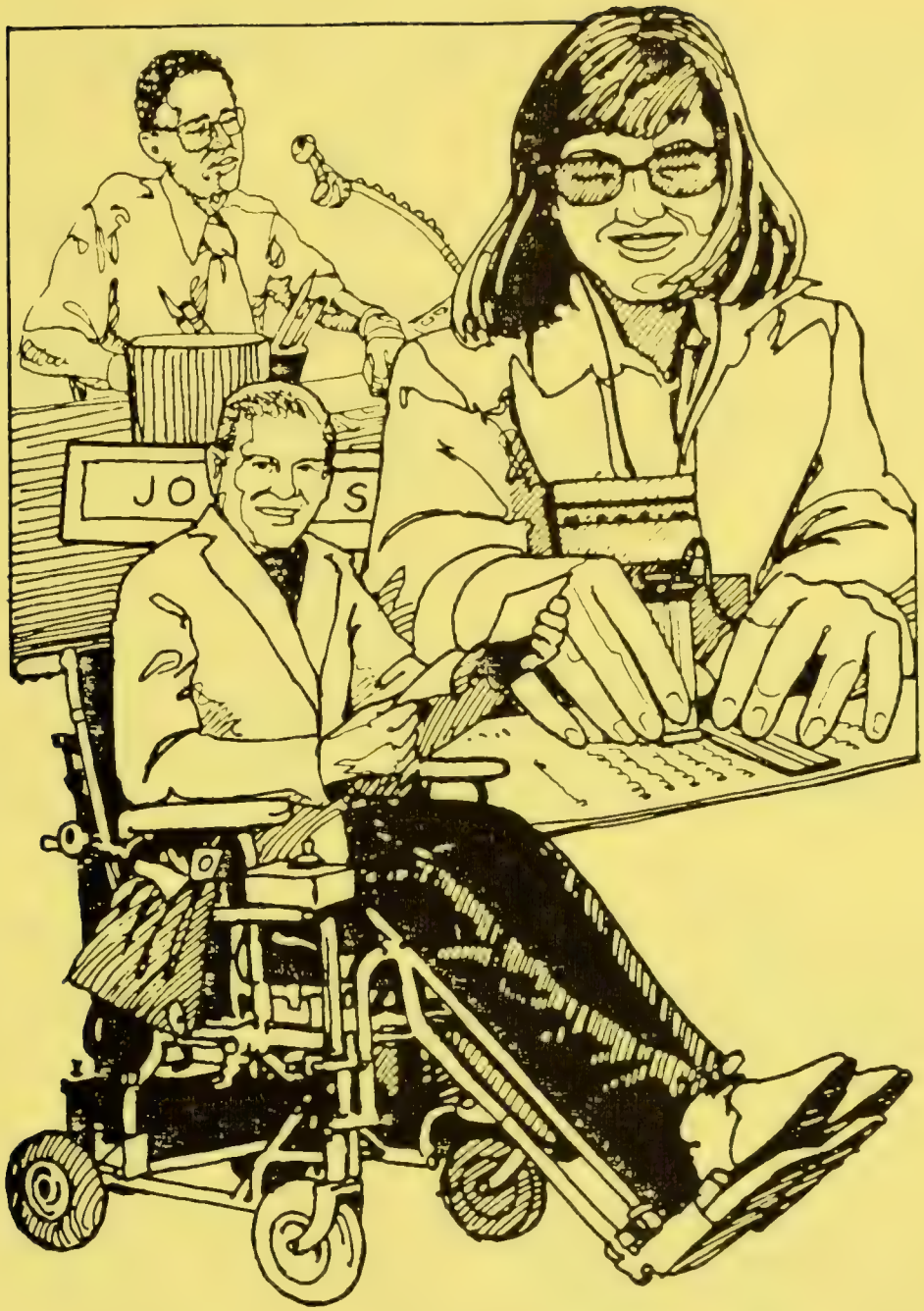
	Fiscal 1988			Fiscal 1989		
Program	FTE	General Fund	Other	FTE	General Fund	Other
Directors Office	4.00	$ 975	$180,521	4.00	$ 975	$180,616
Management Service	14.00	-0-	479,954	14.00	-0-	417,771
Legal Service	1.50	-0-	63,694	1.50	-0-	63,470
Programmers	1.20	-0-	42,422	1.20	-0-	42,381
Consumers Protection	2.50	90,814	-0-	2.50	89,727	-0-
Public Contractors	1.00	28,624	-0-	1.00	28,350	-0-
Total	24.20	$120,413	$766,591	24.20	$119,052	$704,238

The Director's Office and the Management Services programs are financed by chargebacks to all of the departmental programs. The cost to each program is based upon a program's personal services cost compared to the department total personal services. For fiscal 1988 each program is charged an additional 8 percent of its personal services costs for its share of the director's office and management services. The current level base includes an increase of $2,584 for publication of the department newsletter and Build Montana programs. Dues were increased by $550 and travel appropriations have been reduced by $4,574. The current level base includes

$62,400 for legislative audit. The funds appropriated for audits are transferred to Management Services which is the one program to pay the auditor. Computer maintenance costs were increased by $6,870 while programming costs were reduced by $6,213.

The programmers and legal staff both bill individual programs for the time they work on an individual program or legal problem.

The Consumer Protection and Public Contractor programs are financed by general fund.



INSTITUTIONS

DEPARTMENT OF INSTITUTIONS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	150.50	$21,728,759	$26,763,482
LFA Current Level	164.50	22,515,679	27,967,413
Executive Over (Under) LFA	(14.00)	$ (786,920)	$(1,203,931)

The executive budget is $786,920 under the LFA current level general fund and $1,203,931 under the LFA current level in total funds. The following issues reflect the major differences between the two budgets.

ISSUE 1: AUDIT COSTS CENTRALIZED

LFA current level has $158,760 in audit costs for the Management Services Division of the Department of Institutions. These audit costs were reduced from the institutions' budgets and are funded from the same funds as they would have been if they were budgeted for the individual institutions. This change was done at the request of the Legislative Auditor. The executive budget only includes the cost of the Central Office in the department's budget at $33,812, a difference of $124,948 for the biennium.

ISSUE 2: ELIMINATION OF ADMINISTRATIVE OFFICER POSITION

The executive budget eliminates an administrative officer position from the Alcohol and Drug Abuse Division. This position is funded with state alcohol funds. This reduction reduces the executive budget by $50,402 for the biennium.

ISSUE 3: FEDERAL BLOCK GRANT FUND ESTIMATE

The executive budget is $323,082 under the LFA current level non-operating as a result of lower executive estimated federal block grant funds. The executive budget includes the Alcohol, Drug Abuse, and Mental Health Services Block Grant (ADMS) at the annual grant award amount of $917,824 per year. The LFA current level includes the addition of federal funds available on a one-time basis of $270,741 for the biennium plus a fiscal 1987 fund balance of $52,341.

ISSUE 4: TRANSFER SERVICES TO THE PROPOSED FAMILY SERVICES DEPARTMENT

The executive budget transfers 13 FTE and related operating costs from the Corrections Division to the proposed Family Services Department. These costs are included with the Department of Institutions in the LFA current level. This action reduces the executive budget by $1,133,781 for the biennium.

ISSUE 5: COST INCREASE TO HOUSE MORE INMATES IN PRE-RELEASE CENTERS

The executive budget increases the Correction Division's budget by $283,000 each year of the biennium to increase the number of inmates in the pre release centers. The LFA increased this budget by $16,878 each year to adjust the contracts equal to the fiscal 1987 level. This would make the executive budget $523,244 more than the LFA current level for the biennium.

ISSUE 6: INCREASED COSTS FOR THE CORRECTION'S MEDICAL BUDGET

The LFA current level added $25,000 per year for a contract physician at the prison to the Medical Budget. The executive budget increases the Medical Budget by $64,025 and $80,358 over the fiscal 1986 actual for fiscal 1988 and 1989, respectively. These increases are net increases reflecting a reduction of $67,769 each year for medical costs that were transferred to the proposed Family Services Department for Mountain View and Pine Hills Schools. The net of these differences would make the executive budget higher by $94,373 for the biennium.

ISSUE 7: REDUCTION OF FUNDING FOR THE MENTAL HEALTH CENTERS

Both the LFA current level and the executive budgets reduce the Community Mental Health Center budgets. The LFA current level reduces the budgets based on available federal block grant monies keeping the general fund budget at the fiscal 1986 level. The executive budget reduces the mental health center costs $75,599 per year below the LFA current level for a biennium total of $151,199.

ISSUE 8: REDUCTIONS FOR UNFUNDED PAY PLAN

The executive budget reduced the Correction's Division by $25,000 each fiscal year because of unfunded pay increases and budget reductions. These were not included in the LFA current level which makes LFA current level higher by $50,000 for the biennium.

DEPARTMENT OF INSTITUTIONS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	170.50	170.50	164.50	164.50	(6.00)
Personal Service	$ 4,041,999	$ 4,129,706	$ 4,178,587	$ 4,183,099	2.3
Operating Expense	3,132,477	3,157,925	3,403,319	3,251,365	5.8
Equipment	16,082	86,720	40,826	3,000	(57.4)
Total Operating Costs	$ 7,190,558	$ 7,374,351	$ 7,622,732	$ 7,437,464	3.4
Non-Operating Costs	6,518,661	6,350,511	6,477,728	6,429,489	0.3
Total Expenditures	$13,709,219	$13,724,862	$14,100,460	$13,866,953	1.9
Fund Sources					
General Fund	$10,960,502	$11,067,372	$11,359,332	$11,156,347	2.2
State Special	310,747	332,430	373,499	354,761	13.2
Federal Revenue	2,437,970	2,325,060	2,362,335	2,355,845	(0.9)
Other	-0-	-0-	5,294	-0-	
Total Funds	$13,709,219	$13,724,862	$14,100,460	$13,866,953	1.9

The Central Office of the Department of Institutions provides direction and administrative support for the state's institutions and community programs involving corrections, mental health, and alcohol and drug abuse, as well as the institutional programs for the developmentally disabled. Programs within the Central Office are: the Director's Office, Corrections Division, Mental Health and Residential Services Division, Alcohol and Drug Abuse Division, and Management Services Division. Each program will be discussed in the narrative that follows.

A total of 6 FTE have been deleted from the Central Office current level budget. These reductions reflect the actions taken by the Department as a result of the cuts from Special Session III in June 1986. The FTE deleted are: 1.0 FTE management analyst in the Director's Office, 1.0 FTE trust officer and 1.0 FTE financial investigator in the Management Services Division, 1.0 FTE word processor operator and 2.0 FTE administrative clerk II's in the Corrections Division.

The general fund increases 2.2 percent primarily as a result of personal service increases of 2.3 percent, increased pre-release center contracts, and increased medical costs in the Corrections Medical Program. State special alcohol funding of the Alcohol Administrative Program increases 13.2 percent as fiscal 1986 actual expenditures were lower due to high vacancy savings realized. Federal block grant funds decrease 0.9 percent as the last of the carryover funds are exhausted in the 1987 biennium.

DIRECTOR'S OFFICE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level - - Fiscal 1988	Current Level - - Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	10.00	10.00	9.00	9.00	(1.00)
Personal Service	$339,723	$525,722	$333,733	$334,085	(22.8)
Operating Expense	41,295	37,396	43,460	43,968	11.1
Equipment	766	-0-	0-	-0-	(100.0)
Total Expenditures	$381,784	$563,118	$377,193	$378,053	(20.1)
Fund Sources					
General Fund	$381,784	$563,118	$377,193	$378,053	(20.1)

The Director's Office of the Central Office coordinates and directs the administrative tasks of the Department of Institutions. The director, through his staff and administrative programs of the Central Office, assures the financial solvency and integrity of the department, assures uniform and appropriate personnel, budget, and legal policies and procedures throughout the department, assures that appropriate legal and inmate/patient treatment policies are maintained, and oversees the construction and maintenance programs of the 11 institution campuses.

Personal services decrease 22.8 percent into the 1989 biennium for two reasons. First, the legislature appropriated $172,000 for the biennium to meet anticipated additional workers' compensation costs for the entire department that are not included in the 1989 biennium personal services. Second, a 1.0 FTE management analyst authorized by the 1985 legislature is deleted in the 1989 biennium since the position has never been filled due to fiscal constraints.

The operating costs increase 11.1 percent due to the medical review panel and insurance costs in contracted services, in-state travel costs in the base, and an increase in the allocated rent to the Director's Office.

The Director's Office is funded entirely by the general fund which decreases 20.1 percent into the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	10.00	10.00	0.00
Personal Service	$339,915	$339,723	$ 192
Operating Expense	45,246	41,295	3,951
Equipment	-0-	766	(766)
Total Exp. and Gen. Fund	$385,161	$381,784	$3,377

The Director's Office realized personal services savings of $192 after the Governor's cuts of $6,763 and budgeted vacancy savings of $13,967. These savings were realized by leaving the newly authorized management analyst position vacant the entire year.

Operating savings of $3,951 were realized primarily in contract services because the budgeted Professional Standards Review Organization (PSRO), was not contracted saving $8,125. These savings were offset by higher than expected telephone equipment and long distance charges of $1,500 and in-state travel costs of $1,300. Other minor differences in other expense categories account for the remaining difference of $1,300. The office spent $766 on equipment for which it was not budgeted.

The general fund is $3,377 less than that authorized after the Governor's cuts of $7,686.

Current Level Adjustments

The management analyst position authorized by the 1985 legislature has been deleted saving $23,111 in fiscal 1988 and $23,079 in fiscal 1989. As mentioned above, the position was vacant all of fiscal 1986 and remains vacant in fiscal 1987.

Consultant and professional services has been increased $197 to allow quarterly meetings of the three medical doctors that comprise the department's medical review board. Insurance costs increase $347 annually while an additional $110 is included in fiscal 1989 for notary stamps. Court reporter costs are included at $375 per year, which is the average spent over three years as only $10 was expended for this purpose in fiscal 1986. The Director's Office share of the building rent increases $723 each year while photo copy maintenance costs increase $264 when fiscal 1986 actual costs are annualized. One-time telephone relocation costs of $421 are removed from the base as well as employee relocation costs of $288.

The general fund decreases 20.1 percent after deleting the management analyst position and the workers' compensation special 1987 biennium appropriation of $172,000.

MANAGEMENT SERVICES DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level - Fiscal 1988	Current Level - Fiscal 1989	% Change 1987-89 Biennium
F.T.E	30.00	30.00	28.00	28.00	(7.00)
Personal Service	$675,303	$658,861	$ 679,317	$680,057	1.9
Operating Expense	140,686	195,885	295,954	137,861	28.9
Equipment	721	1,208	-0-	-0-	(100.0)
Total Operating Costs	$816,710	$855,954	$ 975,271	$817,918	7.2
Non-Operating Costs	62,421	-0-	62,421	15,606	25.0
Total Expenditures	$879,131	$855,954	$1,037,692	$833,524	7.3
Fund Sources					
General Fund	$875,933	$855,954	$1,022,110	$833,524	7.1
State Special	42	-0-	3,798	-0-	8942.9
Federal Revenue	3,156	-0-	6,490	-0-	105.6
Other	-0-	-0-	5,294	-0-	100.0
Total Funds	$879,131	$855,954	$1,032,398	$833,524	7.8

The Management Services Division of the Central Office provides technical assistance to the institutions in budgeting, accounting, and other management areas. The Reimbursement Field Section is responsible for billing and collecting for services provided to residents in the state's institutions. The Information and Systems Bureau is responsible for coordinating data processing projects within the department.

A 1.0 FTE reimbursement trust officer and a 1.0 FTE financial investigator have been deleted as part of the division's five percent cuts from Special Session III in June 1986. Even though these positions are deleted in the 1989 biennium, personal services increase 1.9 percent due to the vacancy savings realized in fiscal 1986 of $44,401 and the cuts of $85,959 in fiscal 1987.

Operating expenses increase 28.9 percent primarily as a result of consolidating the audit costs of $158,760 for all the institutions within this program in fiscal 1988. Non operating costs included in this program are principal and interest payments for the department's computer system. The system will be paid off in fiscal 1989.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 2
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	30.00	30.00	0.00
Personal Service	$677,915	$675,303	$ 2,612
Operating Expense	233,932	140,686	93,246
Equipment	815	721	94
Total Operating Costs	$912,662	$816,710	$ 95,952
Other Expenses	-0-	62,421	(62,421)
Total Expenditures	$912,662	$879,131	$ 33,531
Funding			
General Fund	$905,697	$875,933	$ 29,764
State Special	875	42	833
Federal Revenue	6,090	3,156	2,934
Total Funds	$912,662	$879,131	$ 33,531

Personal services are $2,612 under the authorized after the Governor's cut of $13,834 and budgeted vacancy savings of $27,955. These savings were realized by leaving a financial investigator position, a data entry operator position, and an accounting clerk position vacant. These vacancies combined with turnover in other positions created a total vacancy savings of $44,401.

Operating costs are $93,246 less than authorized due to two major factors. First, the department is recording payments of $62,421 for the new computer system under non operating costs. Second, the division only spent only spent $11,280 of the $35,000 biennial audit appropriation in fiscal 1986. The balance of the appropriation, $23,720 is included in the fiscal 1987 appropriated column in the main table. Other operating savings resulted from savings achieved after converting from the state's main frame to the department's own computer.

The general fund is $29,764 less than the authorized after the Governor's cuts of $17,911. Of the $29.764 general fund savings, $19,953 is the general funded portion of the biennial audit fees. The state special balance of $833 and the federal funds balance of $2,934 are the remaining balance of the unexpended audit fees.

Current Level Adjustments

Personal services have been decreased $21,511 in fiscal 1988 and $21,482 in fiscal 1989 after deleting a 1.0 FTE reimbursement trust officer and a 1.0 FTE financial

Operating costs include $158,760 to consolidate all the institution's biennial audit costs in the central office. This approach reduces the overall cost of the audits by allowing some audit staff efficiencies. The table below details the audit costs and funding by institution. Insurance costs total $1,255 based on quotes from the Tort Claims Division of the Department of Administration. Data processing supplies are increased $1,646 while data communication line costs are increased $4,814 to allow lines for all the institutions for transferring data from remote locations to the central office computer. Management services allocation of building rent decreases $3,461. The annualizing of computer terminals and personal computers maintenance contracts that came off warranty in fiscal 1986 are $1,526 while the division's share of the annualized photocopy machine is increased $684. A total of $78,027, $62,421 in fiscal 1988 and $15,606 in fiscal 1989, is included for payments on the department computer.

Table 3
Institutions 1989 Biennium Audit Costs

Institution	Total Audit Cost	General Fund	State Special	Federal Funds	Proprietary Funds	Total Funds
Central Office	$ 32,760	$ 26,208	$ 983	$5,569	$ -0-	$ 32,760
Mont Developmental Ctr	18,648	18,648	-0-	-0-	-0-	18,648
Center for the Aged	9,240	9,240	-0-	-0-	-0-	9,240
Eastmont	9,240	9,240	-0-	-0-	-0-	9,240
Mountain View	9,240	9,240	-0-	-0-	-0-	9,240
Pine Hills	12,096	12,096	-0-	-0-	-0-	12,096
Prison	23,016	16,341	460	921	5,294	23,016
Swan River Forest Camp	7,392	7,392	-0-	-0-	-0-	7,392
Veterans' Home	7,392	7,392	-0-	-0-	-0-	7,392
Montana State Hospital	27,384	25,029	2,355	-0-	-0-	27,384
Board of Pardons	2,352	2,352	-0-	-0-	-0-	2,352
	$158,760	$143,178	$3,798	$6,490	$5,294	$158,760

The general fund increases 7.1 percent primarily from consolidating all the institutions' audit costs in the central office. The state special revenue is made up of motor vehicle, prison canteen, and alcohol funds to fund the audits. Federal revenue includes federal boarder revenue and federal block grant funds to fund the audit. Other funds are made up of the prison ranch, industries, and industries training proprietary funds to pay for the audit.

ALCOHOL AND DRUG ABUSE DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	10.00	10.00	10.00	10.00	0.00
Personal Service	$ 261,586	$ 264,748	$ 282,111	$ 282,431	7.3
Operating Expense	106,047	95,290	106,079	90,819	(2.2)
Equipment	3,563	2,863	3,000	3,000	(6.6)
Total Operating Costs	$ 371,196	$ 392,901	$ 391,190	$ 376,250	4.5
Non-Operating Costs	1,239,715	1,261,309	1,294,565	1,294,565	3.5
Total Expenditures	$1,610,911	$1,624,210	$1,685,755	$1,670,815	3.8
Fund Sources					
General Fund	$ 215,200	$ 208,612	$ 215,200	$ 215,200	1.6
State Special	310,530	331,347	368,701	353,761	12.6
Federal Revenue	1,085,181	1,084,251	1,101,854	1,101,854	1.6
Total Funds	$1,610,911	$1,624,210	$1,685,755	$1,670,815	3.8

The Alcohol and Drug Abuse Division's (ADAD) role is to administer chemical dependency programs and distribute state funds to certified community programs. The division approves treatment facilities and programs, certifies and establishes standards for chemical dependency counselors, plans and provides training for approved programs, and prepares a long-term state chemical dependency plan. Funding for the division consists of general fund for drug contracts, 42.63 percent of the federal Alcohol, Drug Abuse, and Mental Health Services Block Grant, and state liquor tax.

Personal services increase 7.3 percent due to vacancy savings in fiscal 1986 and cuts from Special Session III. Operating expenses decrease 2.2 percent as one time charges of $421 for moving telephone equipment are removed from the base, payroll service fees are reduced $743 and the division's share of the building rent decreases $1,733. Expenses in the other expense category have been reduced $795 to fiscal 1986 authorized level.

The general fund increases 1.6 percent into the 1989 biennium after the Governor's 2 percent cut of $4,392 in fiscal 1986 and the 5 percent cut of $10,980 from Special Session III in fiscal 1987. State special alcohol funds increase 12.6 percent as federal funds used in the administration of the division decrease. The federal block grant funds increase 1.6 percent as all the carry over funds are exhausted in the 1987 biennium, but are replaced with one-time grants for drug programs in the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	10.00	10.00	0.00
Personal Service	$ 277,318	$ 261,586	$15,732
Operating Expense	116,988	106,047	10,941
Equipment	3,000	3,563	(563)
Total Operating Costs	$ 397,306	$ 371,196	$26,110
Non Operating Costs			
State Sources	215,200	215,200	-0-
Federal Sources	1,052,710	1,024,515	28,195
Total Non Operating Costs	1,267,910	1,239,715	28,195
Total Operating Expense	$1,665,216	$1,610,911	$54,305
Funding			
General Fund	$ 215,200	$ 215,200	$ -0-
State Special	334,235	310,530	23,705
Federal	1,115,781	1,085,181	30,600
Total Funding	$1,665,216	$1,610,911	$54,305

The division realized $15,732 in personal service savings in addition to $11,240 of budgeted vacancy savings. An administrative officer IV and a project evaluator were vacant two and one-half months, an administrative officer II was vacant four months and the receptionist position was vacant in June 1986.

Operating costs were $10,941 less than authorized due to contracted Department of Administration data processing systems development costs that were budgeted but not expended. The division spent $3,563 on equipment which is $563 more than was authorized.

The non-operating costs were $28,195 less than authorized. The general fund portion which supports grants to community drug abuse programs was fully expended after the Governor's 2 percent cut of $4,392. The grants from federal sources, ADMS block grant, were $28,195 less than authorized.

Current Level Adjustments

Audit fees of $15,600 are included in fiscal 1988 to allow the division to contract for independent audits of community programs receiving federal block grant funds. Insurance costs increase $457 based on quotes from the Tort Claims Division of the Department of Administration. Honorariums have been increased a total of $125 for seven regular advisory council meetings per year. In-state travel has been increased $1,332 to allow travel required to conduct evaluations when fully staffed. Payroll service fees have been decreased $743 based on the State Auditor's quote while the division's share of building rent decreases $1,733. Expenses in the other expense category have been reduced $795 to the fiscal 1986 authorized level.

Equipment includes $3,000 in each fiscal year to purchase alcohol and drug treatment and prevention films to add to the film library. This will add six films each year to the library. Treatment programs as well as schools, churches, civic organizations, and the general public have access to these films.

As Table 5 shows, the non operating expenses are comprised of three programs: the distribution of liquor tax earmarked for counties, the general fund portion of the discretionary drug grants to state approved programs, and the federal block grant portion of both alcohol and drug discretionary grants, as well as federal block grant used for the liquor tax shortfall.

Table 5
Alcohol and Drug Abuse Non-Operating Costs

	Fiscal 1988				Fiscal 1989			
Grants	General Fund	Alcohol	Block Grant	Total	General Fund	Alcohol	Block Grant	Total
County Payments	$ -0-	$1,589,695	$ 156,854	$1,746,549	$ -0-	$1,659,207	$ 156,854	$1,816,061
Discretionary	-0-	-0-	392,126	392,126	-0-	-0-	392,126	392,126
Non-Discretionary	-0-	-0-	124,500	124,500	-0-	-0-	124,500	124,500
Drug Programs	215,200	-0-	405,885	621,085	215,200	-0-	405,885	621,085
Total	$215,200	$1,589,695	$1,079,365	$2,884,260	$215,200	$1,659,207	$1,079,365	$2,953,772

Only two programs, the general fund portion of the discretionary drug grants and the federal block grant funds, are reflected in the main table and comparison table. The liquor tax earmarked for counties is appropriated in statute, Section 53-24-206, MCA. The table below shows the estimated funds available to fund alcohol and drug programs in the state with general funds, federal block grant funds and the alcohol earmarked pass through funds.

Table 6
Alcohol and Drug Abuse Division Non-Operating Expenses

Program	Fiscal 1986	Fiscal 1988	Fiscal 1989	% Change FY86-FY88
Drug Program	$ 621,085	$ 745,585	$ 745,585	20.0
Alcohol Program	2,193,338	2,138,675	2,208,187	2.5
Total Program Costs	$2,814,423	$2,884,260	$2,953,772	2.5
Funding				
General Fund	$ 215,200	$ 215,200	$ 215,200	0.0
Alcohol Tax	1,574,708	1,589,695	1,659,207	1.0
Block Grant	1,024,515	1,079,365	1,079,365	5.4
Total Program Funding	$2,814,423	$2,884,260	$2,953,772	2.5

The drug program increases 20 percent from fiscal 1986 to fiscal 1988 as a result of a one-time grant of $249,000 from the federal government for drug treatment. Only $124,500 is included each year of the 1989 biennium since the program has two years to spend the money. These funds were appropriated by congress in separate legislation from the block grant but are to be distributed through the block grant to the states. The general fund in the drug program remains at the fiscal 1986 expended level of $215,200 through the biennium as does the regular block grant funds of $405,885.

The alcohol program increases 2.5 percent from fiscal 1986 to fiscal 1988. The alcohol tax increases 1.0 percent from fiscal 1986 to fiscal 1988 while federal block grant discretionary funds remain the same. The federal block grant funds that have been used to supplement the declining alcohol tax funds have decreased from $226,504 in fiscal 1986 to $156,854 available for this purpose in fiscal 1988 and fiscal 1989. Although the division's discretionary grant funds remain at the fiscal 1986 level the total amount available for distribution to the counties in fiscal 1988 decreases $54,663 then increases $69,412 in fiscal 1989 to $1,816,061 as shown below in Table 7. Table 7 also shows the fiscal 1986 actual alcohol earmarked revenues and expenditures and the anticipated fiscal 1988 and 1989 revenue and expenditures.

Table 7
Alcohol Earmarked Revenue and Expenditures and County Distribution

	Fiscal 1986	Fiscal 1988	Fiscal 1989
Revenues	$3,716,280	$3,927,828	$3,989,696
Expenses			
ADAD Admin	$ 310,528	$ 368,701	$ 353,761
Galen	1,595,609	1,687,657	1,694,394
Forensic Lab	129,556	143,835	143,232
Counselors	105,879	137,940	139,102
Total State Expense	$2,141,572	$2,338,133	$2,330,489
Remaining for County Distrib.	$1,574,708	$1,589,695	$1,659,207
County Distribution			
Alcohol Earmarked	$1,574,708	$1,589,695	$1,659,207
Federal Block Grant	226,504	156,854	156,854
Total County Distribution	$1,801,212	$1,746,549	$1,816,061

The Department uses the earmarked revenues to fund a portion of ADAD administration, the Alcohol Treatment Program at Montana State Hospital, DUI tests at the forensic lab in Missoula, and alcohol counselors for Pine Hills, the prison, and Swan River Forest Camp. The balance is distributed to the counties using the 85/15 formula defined in Section 53-24-206, MCA. The 85 percent is allocated according to the county's population in proportion to the state population and 15 percent is allocated based on the county's land area in proportion to the state total land area.

CORRECTIONS DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level - Fiscal 1988	Current Level - Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	91.50	91.50	88.50	88.50	(3.00)
Personal Service	$2,103,010	$2,037,162	$2,150,919	$2,151,584	3.9
Operating Expense	1,747,906	1,880,090	1,804,514	1,820,318	(0.1)
Equipment	10,556	81,967	34,608	0	(62.6)
Total Operating Costs	$3,861,472	$3,999,219	$3,990,041	$3,971,902	1.3
Non-Operating Costs	2,727	-0-	2,965	1,541	65.2
Total Expenditures	$3,864,199	$3,999,219	$3,993,006	$3,973,443	1.3
Fund Sources					
General Fund	$3,860,810	$3,996,270	$3,989,206	$3,969,643	1.3
State Special	175	250	1,000	1,000	370.6
Federal Revenue	3,214	2,699	2,800	2,800	(5.3)
Total Funds	$3,864,199	$3,999,219	$3,993,006	$3,973,443	1.3

The Corrections Division Administration provides coordination, supervision, and support to the correctional programs of the state. These programs include Montana State Prison, Swan River Forest Camp, Pine Hills School, Mountain View School, Women's Correctional Facility, pre-release centers in Billings, Missoula, Great Falls, and Butte, Juvenile Aftercare, Parole and Probation and the Corrections Medical Program.

The main table above includes the Administration Program, Community Corrections Program and Men's Pre-release Program. The Women's Corrections and Corrections Medical Program are discussed separately later in this section.

A 1.0 FTE word processor operator and 2.0 FTE administrative clerk II's in the Administration Program have been deleted after the program used these positions to meet the budget cuts required by Special Session III. Operating expenses remain at the same overall level for the 1989 biennium that they were for the 1987 biennium. Equipment is at a level that is 62.6 percent less than in the 1987 biennium.

The Corrections Division is almost entirely funded with general fund which increases 1.3 percent from the 1987 biennium to the 1989 biennium. The other funds in the division include $1,000 each year for donations and $2,800 each year for interest and income.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 8
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	91.50	91.50	0.00
Personal Service	$2,075,108	$2,103,010	$ (27,902)
Operating Expenses	736,807	1,747,906	(1,011,099)
Equipment	98,590	10,556	88,034
Total Operating	$2,910,505	$3,861,472	$ (950,967)
Non-Operating	1,132,183	2,727	1,129,456
Total Expenditures	$4,042,688	$3,864,199	$ 178,489
Funding			
General Fund	$4,039,843	$3,860,810	$ 179,033
State Special	250	175	75
Federal Revenue	2,595	3,214	(619)
Total Funds	$4,042,688	$3,864,199	$178,489

Personal services are $27,902 over the authorized after the Governor's cuts of $31,187 and budgeted vacancy savings of $84,968. These overexpenditures occurred in the Community Corrections Program, where personal services were $19,236 more than authorized and men's pre-release where $4,534 more than authorized was spent before the cuts were applied. These over expenditures were offset by personal service savings in the Administration Program of $27,055 before application of the cuts.

Operating costs appear to be overexpended $1,011,099 in the table while non-operating costs are under the authorized by $1,129,456. These discrepancies result from the department coding the pre-release contract payments to operating expense rather than non-operating expense where they were budgeted. After adjusting for the contract pre-release centers, operating costs were underexpended $49,614 after the Governor's cuts of $12,594. These savings occurred in supplies and materials, $43,292, and utilities, $5,052, while differences in other expense categories combine for the rest of the difference.

The Corrections Division was appropriated $100,000 for the biennium to purchase equipment plus a fiscal 1986 appropriation of $13,798 within the Youth Evaluation Program. After the Governor's cuts $81,967 remains of the biennial equipment appropriation. The division spent $2,825 of this appropriation and $7,731 of the other appropriation.

The contract pre-release centers were $71,470 under the authorized after the Governor's cuts of $23,105. Part of these savings are excess appropriation authority resulting from including $10,952 per center for depreciation, in addition to $5,000 per center intended. The total excess included in the appropriation is $32,856. The balance of the savings, $38,614 results from lower than anticipated supply costs

amounting to $5,556 and utilities amounting to $11,867, which are line items in addition to the individual contracts, and actual contract savings of $21,191.

Current Level Adjustments

Personal services increases 3.9 percent in the Corrections Division even though three FTE costing approximately $50,000 have been deleted. This increase results primarily from the amount of cuts, $113,855, applied to personal services as a result of Special Session III.

Operating costs in total are unchanged from the 1987 biennium to the 1989 biennium. This increase results from increasing the fiscal 1986 base expenditures $39,996 plus inflation in fiscal 1988 and fiscal 1989 but maintaining a level below fiscal 1987 appropriated. The base adjustments include $7,513 for insurance rate increases, $16,878 to adjust the contract pre-release center contracts to the fiscal 1987 appropriated level, $2,836 for increased costs of the EMIT drug tests, $1095 for telephone maintenance costs, $5,686 for the division's share of building rent from the Department of Administration and $1,169 for rent increase of the pre-release center building in Missoula, $3,993 to annualize the division's share of the department's computer equipment maintenance including personal computers and the "System 38" mainframe, and $367 for the division's share of annualized photocopier maintenance.

Equipment is included at $34,608 in fiscal 1988 only to allow the replacement of four parole and probation vehicles.

The general fund increases 1.3 percent from the 1987 biennium to the 1989 biennium. Private donations have been increased to $1,000 each year at the division's request. The interest and income funds are included at $2,800 in each year of the biennium.

WOMEN'S CORRECTIONAL PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	24.00	24.00	24.00	24.00	0.00
Personal Service	$490,164	$469,437	$546,875	$549,574	14.3
Operating Expense	176,861	199,439	215,210	220,104	15.7
Equipment	-0-	682	3,218	-0-	371.8
Total Operating Costs	$667,025	$669,558	$765,303	$769,678	14.8
Non-Operating Costs	791	-0-	-0-	-0-	(100.0)
Total Expenditures	$667,816	$669,558	$765,303	$769,678	14.8
Fund Sources					
General Fund	$667,816	$669,558	$765,303	$769,678	14.8

The Women's Correctional Program consists of three components. The Women's Correctional Facility at the Warm Springs Campus of the Montana State Hospital is minimum to medium security facility for Montana's women offenders requiring incarceration. The Billings Life Skills Pre-release Center located in Billings is a state operated pre-release center with a capacity for 12 women inmates. The third component of the women's program is the housing of women in out-of-state prisons because of their security classification or in in-state housing pending placement. The Women's Correctional Facility was budgeted for an average daily population of 25 inmates, the Billings Life Skills Pre-release Center was budgeted for an ADP of 8 and funds were included for one out-of-state placement. The fiscal 1986 actual average daily populations were: 35.7 at the Women's Correctional Facility, 10 at the Billings Life Skills Pre-release Center and no women were placed out-of-state. The current level budget allows the base expenditures plus approximately $34,000 to fund these population levels plus one out of state placement each year.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 9
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	24.00	24.00	0.00
Personal Service	$482,051	$490,164	$(8,113)
Operating Expense	200,373	176,861	23,512
Total Operating Expenses	$682,424	$667,025	$15,399
Total Non-Operating Costs	-0-	791	(791)
Total Exp. and General Fund	$682,424	$667,816	$14,608

The personal services are $8,113 more than authorized after the Governor's cuts of $9,663 and budgeted vacancy savings of $19,261. Most of the the additional personal service costs result from overtime expenditures of $13,152 which are $5,641 more than budgeted.

Operating expenses are $23,512 less than authorized primarily because the $17,155 budgeted for one out-of-state inmate was not required in fiscal 1986. The balance of the savings occurred in professional contracts which were less than anticipated for psychological evaluations and alcohol counseling. The Billings Life Skills Pre-release Center is purchasing a copier on a lease purchase agreement that is now being recorded under non-operating expense.

Current Level Adjustments

Personal services increase 14.3 percent into the 1989 biennium for three major reasons. First, 8.0 FTE correctional officer I positions were upgraded through the classification appeal process to correctional officer II's. These upgrades from grade 9 to grade 10 cost approximately $10,300 each year of the biennium. Second, vacancy savings and across the board cuts in fiscal 1986 and from Special Session III account for one half of the amount of the increase from the 1987 biennium to the 1989 biennium. Third, employee benefits increase 29 percent into the 1989 biennium primarily as a result of workers' compensation increases. Employee benefits were 16.8 percent of salaries in fiscal 1986 and budgeted at 16.7 percent in fiscal 1987. Benefits increase to 18.9 percent of salaries in fiscal 1988 and 19.6 percent in fiscal 1989.

Operating costs are increased in professional contracts by $648 annually to annualize the current alcohol treatment contract. Insurance costs increase $211 annually for the Billings center and $495 for the Women's Correctional Facility. Funds for an inmate cook at the Billings pre-release center are included at $1,095 each year. The center was unable to obtain an inmate cook in fiscal 1986 as all the inmates were employed in other jobs. Board and room for one out of state inmate and 180 days board and room in local jails is included at $22,194. Additional funds were included here for in-state jails to enable the Women's prison to place problem inmates in the local jail due to the crowded conditions at the center. It is desirable programatically to remove problem inmates from the center. An additional $5,154 is included to provide matrons for those inmates sent to local jails. Out of-state travel increased to allow travel costs associated with transferring inmates to out-of-state facilities and to return escapees. Other minor adjustments amount to less than one percent.

Equipment included in current level at $3,218 is for replacement washers and dryers for the Women's Correctional Facility and the Billings Pre-release Center, a vacuum cleaner for the Women's Correctional Center and a replacement dishwasher and range for the Billings Pre-release Center.

CORRECTIONS MEDICAL BUDGET

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level - Fiscal 1988	Current Level - Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Operating Expense	$848,214	$373,733	$873,214	$873,214	42.9
Fund Sources					
General Fund	$848,214	$373,733	$873,214	$873,214	42.9

The 1983 legislature authorized the consolidation of medical costs for the Prison, Swan River Forest Camp, Pre-release Centers, the Women's Correctional Program, the Aftercare Program and parole violators being held for revocation hearings. The

intent was to pool appropriations within the Corrections Division to provide flexibility among the programs and avoid unforeseen burdens on any one program budget due to medical costs. The 1985 legislature added Pine Hills School and Mountain View School medical costs to the program. The total budgeted average daily population to be served by this budget was 1,096 for a budgeted cost of $553.17 per inmate for the 1987 biennium. The actual population served in fiscal 1986 was 1,266 average daily population at a cost of $669.94 per inmate. The population was 15.5 percent more than budgeted while cost per inmate was 21.1 percent more than budgeted.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 10
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
Operating Expenses	$595,775	$848,214	$(252,439)

This program's total operating authority was provided in a biennial appropriation to provide additional flexibility. The biennial authority was split between fiscal 1986 and fiscal 1987 based on the amount the legislature anticipated would be spent in each respective year. As shown in the table above, $252,439 or 42.4 percent more was spent in fiscal 1986 than was anticipated by the legislature. The balance of the authority at the beginning of fiscal 1987 was $373,733. The balance as of the end of October 1986 is $88,099 or approximately 5 weeks at the fiscal 1986 expenditure level. Therefore, the program will be out of funds before the legislature convenes in January 1987. The department has requested a supplemental appropriation for this program. The director of the department will use the transfer authority provided in House Bill 500 to continue services under this program.

Current Level Adjustments

Medical services costs were increased $25,000 each year to provide 20 hours per week additional physician coverage at the prison. Other than the medical costs all other costs are included at the fiscal 1986 expenditure level.

This program is funded entirely by general fund which increases 42.9 percent from the 1987 biennium to the 1989 biennium.

MENTAL HEALTH DIVISION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	5.00	5.00	5.00	5.00	0.00
Personal Service	$ 172,213	$ 173,776	$ 185,632	$ 185,368	7.2
Operating Expense	71,468	67,076	64,887	65,079	(6.2)
Equipment	476	-0-	-0-	-0-	(100.0)
Total Operating Costs	$ 244,157	$ 240,852	$ 250,519	$ 250,447	3.3
Non-Operating Costs	5,213,007	5,122,059	5,117,777	5,117,777	(1.0)
Total Expenditures	$5,457,164	$5,362,911	$5,368,296	$5,368,224	(0.8)
Fund Sources					
General Fund	$4,110,745	$4,127,735	$4,117,105	$4,117,033	(0.1)
Federal Revenue	1,346,419	1,235,176	1,251,191	1,251,191	(3.1)
Total Funds	$5,457,164	$5,362,911	$5,368,296	$5,368,224	(0.8)

The Mental Health and Residential Services Division provides administrative supervision and coordination for the institutional and community programs for the mentally ill, institutional programs for the developmentally disabled, and institutional programs for veterans and geriatrics with emotional problems.

Community-based services for the mentally ill are provided through contracts administered by the Mental Health Division with the five private non-profit, regional community mental health centers (CMHC). The division contracts for inpatient, emergency, day treatment, transitional living, community living support, outpatient, and prevention services. Funding for these programs comes from the general fund, federal block grant funds, medicaid, participating counties' general funds, and private reimbursement.

Personal services increase 7.2 percent from the 1987 biennium to the 1989 biennium as a result of vacancy savings and across the board cuts applied to fiscal 1986 and 1987. Operating expenses decrease 6.2 percent as one-time appraiser fees are removed from the base and professional contracts are reduced. Non-operating costs decrease one percent as available federal block grant funds decrease 3.1 percent form the 1987 biennium to the 1989 biennium. General fund in support of non-operating costs decreases less than one half of one percent from the 1987 biennium to the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 11
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	5.00	5.00	0.00
Personal Service	$ 178,965	$ 172,213	$ 6,752
Operating Expense	67,032	71,468	(4,436)
Equipment	-0-	476	(476)
Total Operating Costs	$ 245,997	$ 244,157	$ 1,840
Non-Operating Costs			
State Sources	3,866,871	3,866,588	283
Federal Sources	1,349,118	1,346,419	2,699
Total Non Operating Costs	$5,215,989	$5,213,007	$ 2,982
Total Expenditures	$5,461,986	$5,457,164	$ 4,822
Funding			
General Fund	$4,112,868	$4,110,745	$ 2,123
Federal Revenue	1,349,118	1,346,419	2,699
Total Funds	$5,461,986	$5,457,164	$ 4,822

The program realized personal service savings of $6,752 after the Governor's cuts of $3,477 and budgeted vacancy savings of $7,361. These savings were realized with a vacant secretarial position and turnover of the division administrator position.

Operating costs are $4,436 more than authorized as a result of the cost of the appraisal for the sale of the Montana Youth Treatment Center in Billings which cost $4,500. The division was not budgeted for equipment but spent $476 in fiscal 1986.

The division contracted for and distributed all but $2,982 of available mental health center contract funds. All but $283 of the $3,866,871 general fund was spent after the Governor's cuts of $78,916. Federal block grant of $1,346,419 was spent leaving an appropriation balance of $2,699.

The general fund was $2,123 less than authorized while federal block grant funds were $4,822 less than authorized.

Current Level Adjustments

Operating costs were reduced $4,500 for one-time appraiser fees and $4,472 for contracted mental health professionals to conduct annual audits of the Mental Health Center clinical records. Included in the division's budget is the mental health institutional education and training budget. Education and training is increased $2,140 to provide 11 workshops at the institutions, attendance for 61 staff to various conferences, and for 28 staff to attend the state developmentally disabled conference. Other minor adjustments amount to less than one percent.

Non-operating costs for contracting with the five regional CMHC's have been adjusted to the available federal block grant funds and the amount purchased with general fund in fiscal 1986. The total decrease amounts to $99,502 less to contract for services in fiscal 1988 than in fiscal 1986. The decrease in federal block grant funds results after all available carry-over funds were exhausted in fiscal 1986. The table below shows the state general fund and federal block grant funds in support of mental health centers for the 1987 and 1989 bienniums.

Table 12
State and Federal Funding for Mental Health Centers

	Fiscal 1986	Fiscal 1987	Fiscal 1988	Fiscal 1989	Percent
General Fund	$3,866,588	$3,886,883	$3,866,586	$3,866,586	(0.3)
Federal Block Grant	1,346,419	1,235,176	1,251,191	1,251,191	(3.1)
Total	$5,213,007	$5,122,059	$5,117,777	$5,117,777	(1.0)

MOUNTAIN VIEW SCHOOL
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	67.49	$3,485,916	$3,715,898
LFA Current Level	64.49	3,273,377	3,513,877
Executive Over (Under) LFA	3.00	$ 212,539	$ 202,021

The executive budget includes 3 FTE and $212,539 more general fund than the LFA current level. The executive budget is $202,021 over the LFA current level in total funds. The major differences will be discussed in the issues that follow.

ISSUE 1: FTE DELETED

The executive budget deletes 1.8 FTE that are not deleted in the LFA current level at a cost of $78,000 for the biennium.

ISSUE 2: CURRENT LEVEL ADJUSTMENT FOR PROJECTED POPULATION INCREASE

The executive budget adds 4.8 FTE and operating costs of $223,452 that are not included in the LFA current level. This addition allows for an average daily population of 70 while the fiscal 1986 actual average daily population was 56. The LFA current level includes funding for 56 average daily population.

MOUNTAIN VIEW SCHOOL

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	64.49	64.49	64.49	64.49	0.00
Personal Service	$1,381,287	$1,368,861	$1,482,997	$1,490,576	8.1
Operating Expense	245,108	246,525	266,692	273,612	9.9
Equipment	359	2,789	-0-	-0-	(100.0)
Total Expenditures	$1,626,754	$1,618,175	$1,749,689	$1,764,188	8.3
Fund Sources					
General Fund	$1,519,239	$1,549,843	$1,628,991	$1,644,386	6.7
State Special	1,715	2,000	15,982	14,982	733.5
Federal and Other	105,800	66,332	104,716	104,820	21.7
Total Funds	$1,626,754	$1,618,175	$1,749,689	$1,764,188	8.3

Mountain View School is responsible for the care, education and rehabilitation of juvenile girls who are committed to the school by district courts. The school also contracts with the federal government to care for girls who are in federal custody.

The average daily population of the school was nearly 56 girls in fiscal 1986 compared with 39 in fiscal 1984 and a budgeted population of 45. The population is continuing to grow in fiscal 1987 with a current average daily population of nearly 59 girls.

The fiscal 1986 expenditures reflected in the table above do not include expenditures of the youth detention facility funded in fiscal 1986 but eliminated during Special Session III in June 1986. Those expenditures totaled $142,364 with $79,164 for operating costs and $63,200 in capital improvements. The 5.16 FTE associated with the detention center are also eliminated from the FTE figures in the table above.

Personal services increase 8.1 percent as a result of vacancy savings achieved in fiscal 1986 and workers' compensation rate increases in the 1989 biennium. Operating costs increase 9.9 percent as a result of contracting the school housekeeping to outside contractors, supply inventory adjustments, and increasing the schools self supporting canteen.

The general fund increases 6.7 percent to accommodate the personal services and operating increases mentioned above. The school's canteen funds increase from $1,000 authorized each year of the 1987 biennium to $12,982 in the 1989 biennium. Federal and private funds increase 21.7 percent due to anticipated federal boarder reimbursement.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	64.49	64.49	0.00
Personal Service	$1,392,081	$1,381,287	$ 10,794
Operating Expense	245,003	241,555	3,448
Equipment	2,475	359	2,116
Total Expenditures	$1,639,559	$1,623,201	$ 16,358
Funding			
General Fund	$1,571,405	$1,519,239	$ 52,166
State Special	2,000	1,715	285
Federal and Other	66,154	102,247	(36,093)
Total Funds	$1,639,559	$1,623,201	$ 16,358
Budget Amendments			
Chapter I	$ 6,547	$ 1,713	$ 4,834
Special Education	2,000	1,840	160
Total Amendments	$ 8,597	$ 3,553	$ 4,994

The school had personal services savings of $10,794 in addition to the Governor's cuts of $27,213 and budgeted vacancy savings of $71,156. These savings occurred mainly in teacher and cottage life attendant positions due to turnover. Operating costs were $3,448 less than authorized after the Governor's cuts of $4,806. These savings were generated in utilities and repair and maintenance and were offset by overexpenditures in supplies, communications, and travel. The school only spent $359 of their authorized equipment budget, leaving a balance of $2,116.

General fund savings were $52,166 in addition to the Governor's cuts of $32,070. State special revenue was $285 less than authorized while federal and private revenue was $36,093 more than authorized by the legislature. The institution, in compliance with Section 3 of House Bill 500, reduced the general fund appropriation for the amount of money received from other sources in excess of the appropriation provided. This is required by Section 3 unless the funds are significantly different from those for which the agency received their general fund appropriation. More federal boarder revenue and federal school food reimbursement was received than anticipated. In compliance with Section 3 the institution reduced the general fund $39,640 and increased federal boarders $23,196 and school foods $16,444. The school received a budget amendment of $6,547 for ECIA Title I funds and $2,000 for special education funds.

Current Level Adjustments

Operating costs have been decreased $10,436 for contracted psychological services, which the subcommittee in the 1985 session of the legislature reduced from the school's 1987 biennium budget. Psychiatrist consultations were increased $1,370 per year to allow weekly consultations. An additional $900 is included to provide both protestant and catholic religious services. Insurance costs increase $1,401 based on quotes from the Tort Claims Division of the Department of Administration.

During the 1985 session the school asked for and received increases in student allowances to pay the students for providing housekeeping services for the school. The agency has requested $8,350 for housekeeping services for the 1989 biennium. The agency has also requested the current level allowance expenditures for student allowances of $9,619. This current level budget includes the requested housekeeping costs of $8,350 in contracted services but decreases allowances $2,506 to the fiscal 1984 level of 35 cents per day per resident.

Audit fees of $1,502 have been deleted as the audit fees have been transferred to the central office of the Department of Institutions. Supplies are increased $7,100 for replacing inventories depleted in fiscal 1986 and for bringing the expenditures to the previous years' levels. Out-of-state travel is decreased $3,000 to previous years' levels of approximately $1,100. The school's canteen merchandise costs have been increased $12,000 to allow sufficient authority for the anticipated demand for canteen items. Federal indirect costs are included at $3,500 per year.

The general fund increases 6.7 percent as a result of the increases in personal services caused by workers' compensation rate hikes and the increases in operating costs. Canteen funds are increased from $1,000 authorized each year of the 1987 biennium to $12,982 each year of the 1989 biennium as requested by the agency. Donated funds increase to $3,000 in fiscal 1988 and $2,000 in fiscal 1989 from $1,000 authorized in fiscal 1987 and the $733 actually spent in fiscal 1986.

Federal and private funds for the school consist of federal school food reimbursements of $47,334 each year, ECIA Title I funds of $39,246 each year, and federal boarder reimbursement of $18,240 each year. The school had 785 boarder days in fiscal 1984, 213 days in fiscal 1985, and 351 days in fiscal 1986. With the current boarder expected to leave in March 1987 the school should have 319 days in fiscal 1987. The 1989 biennium federal boarder revenue is based on one boarder for one year split between fiscal 1988 and fiscal 1989 and one federal or tribal 45 day evaluation each year for a total of 228 boarder days per year.

PINE HILLS SCHOOL

	FTE FY '89	Biennium General Fund	Biennium Total Funds
Executive Budget	118.77	$5,632,943	$6,903,482
LFA Current Level	116.97	5,489,828	6,588,701
Executive Over (Under) LFA	1.80	$ 143,115	$ 314,781

The executive budget is $314,781 over the LFA current level. The differences in total funding are due primarily to the addition of staff and operating costs for an average daily population of 130 compared to the current level of 120, and the addition by the executive of medical costs of $41,924 each year as part of the Pine Hills School budget in the proposed Department of Family Services. The following issues reflect the major differences between the executive budget and current level.

ISSUE 1: 3.0 FTE DELETED

The executive deleted a 1.0 FTE maintenance worker, a 1.0 FTE food service worker, and a 1.0 FTE stock clerk that were retained in the current level analysis costing $117,289 over the biennium.

ISSUE 2: 4.8 FTE ADDED

The executive added 4.8 cottage life attendants for an estimated average daily population of 130 compared with the current level analysis of 120 average daily population. The additional staff cost $171,155 over the biennium.

ISSUE 3: HIGHER EMPLOYEE BENEFITS

The executive has increased employee benefits $40,660 in addition to the increased staff. The staffing difference between the executive and the LFA current level amounts to $9,964 over the biennium. The total benefits difference amounts to $50,624 for the biennium.

ISSUE 4: HIGHER EMPLOYEE HEALTH INSURANCE

The executive recommends 1.8 FTE more than LFA current level, which would add $2,760 of insurance benefits each year. However, the executive insurance amounts to $27,600 more than the LFA current level or the equivalent of insurance benefits for 10 more FTE per year.

ISSUE 5: HIGHER OPERATING COSTS DUE TO POPULATION INCREASE

Operating costs are $16,939 per year higher in the executive budget for an additional average daily population of 10 youth. Other minor differences amount to $3,300 where the executive is over the LFA current level.

ISSUE 6: MEDICAL COSTS INCLUDED IN PINE HILLS BUDGET

The executive has added $41,924 per year for medical costs that are included in the corrections medical budget in the LFA current level.

PINE HILLS SCHOOL

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	116.97	116.97	116.97	116.97	0.00
Personal Service	$2,568,577	$2,599,678	$2,704,355	$2,717,207	4.9
Operating Expense	596,603	650,266	616,572	636,607	0.5
Equipment	14,517	-0-	2,255	2,705	(65.8)
Total Expenditures	$3,179,697	$3,249,944	$3,323,182	$3,356,519	3.9
Fund Sources					
General Fund	$2,594,337	$2,718,738	$2,728,291	$2,761,537	3.3
State Special	45,571	42,015	59,169	59,260	35.2
Federal Revenue	539,789	489,191	535,722	535,722	4.1
Total Funds	$3,179,697	$3,249,944	$3,323,182	$3,356,519	3.9

Pine Hills School is responsible for the care and custody of juvenile boys aged 10 to 21, who have been sentenced to the institution by the courts. Title 53-30-202, MCA, establishes Pine Hills as a correctional facility to diagnose, care for, train, educate and rehabilitate children in need of these services. Pine Hills has a capacity of 115 students in five cottages. However, due to the sharp increase in the institution's population, during fiscal 1986, the institution opened an old cottage to house the additional population, which reached a high of 135 students in May 1986. The average daily population at the facility was 120 with an average length of stay of 9 months. The fiscal 1986 current level budget was for an average daily population of 88 with an average length of stay of 6.5 months. The 1989 biennium current level is based on an average daily population of 120 students.

The school budget increases 4.1 percent over the 1987 biennium primarily due to the personal services increase of 4.9 percent. The personal services increase is due to vacancy savings achieved in fiscal 1986 and to increases in the workers' compensation rates, which increase 12.4 percent in the 1989 biennium. Operating costs increase 0.5 percent due mostly to inflation.

State special revenue increases 35.2 percent to allow sufficient authority in the school's canteen.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	116.97	116.97	0.00
Personal Service	$2,570,433	$2,562,851	$ 7,582
Operating Expense	624,729	596,553	28,176
Equipment	14,629	14,517	112
Total Expenditures	$3,209,791	$3,173,921	$ 35,870
Funding			
General Fund	$2,679,246	$2,594,337	$ 84,909
State Special	42,053	45,571	(3,518)
Federal and Other	488,492	534,013	(45,521)
Total Funds	$3,209,791	$3,173,921	$ 35,870
Additions			
EICA Title I	$ 8,790	$ 5,776	$ 3,014

The school had personal service savings of $7,582 in addition to the Governor's cuts of $43,433 and budgeted vacancy savings of $104,078. These savings were generated by vacant stock clerk positions, a warehouse foreman position that was vacant more than half of the year, turnover and vacancies of cottage life attendants, savings in teachers' salaries, and vocational instruction personnel turnover. Operating costs were $28,176 less than anticipated after the Governor's cuts of $10,946. The bulk of these savings, totaling $30,617, was generated in utilities due to lower natural gas rates. Supplies and materials were overspent $9,848 primarily in the food categories, and were offset by savings in repair and maintenance of $9,464. Merchandise for resale in the school's canteen was $3,758 more than authorized while other expenses were $2,497 less than authorized.

The general fund had savings of $84,909 plus the Governor's cuts of $54,678 for a total of $139,587. State special revenue funds were overexpended $3,518, which required a supplemental request for the canteen. Federal and other revenue were $45,521 more than the authorized. This reduction in general fund is in compliance with Section 3 of House Bill 500, which requires the general fund appropriation to be reduced for the amount of money received from other sources in excess of the appropriation provided, unless the funds are significantly different from those for which the agency received their general fund appropriation. The agency has submitted the required accounting documents reducing the general fund $59,298 and increasing interest and income funds $35,198 and school lunch funds $24,100.

The school received a budget amendment for ECIA Title I funds of $8,790, increasing the total Title I authority to $90,850. The school spent $5,776 of the budget amended funds in addition to $75,380 of the Title I appropriation.

Current Level Adjustments

Consultant and professional services were reduced $9,271 based on the agency's request. Audit costs of $1,478 were reduced from the base as the audit costs have been transferred to the central office of the Department of Institutions for the 1989 biennium. Clothing and personal supplies were reduced $4,000 to the level spent in previous years plus adjustments for a 36 percent increase in population. Chemicals costing $1,000 for the boilers were added in fiscal 1989 only. Natural gas was increased $4,379 to accommodate the reopening of a cottage due to the expanded population. The self-supporting canteen was increased $10,942 to allow sufficient authority to meet the anticipated demand. Other minor adjustments amount to less than one percent. Equipment of $2,255 in fiscal 1988 and $2,705 in fiscal 1989 include a replacement television set each year, a replacement clothes dryer each year and a heavy duty washer in fiscal 1989, and a mobile radio unit each year of the biennium.

Funding

The general fund increases 3.3 percent into the 1989 biennium primarily due to the increases in personal services. Alcohol funds of $29,669 in fiscal 1988 and $29,760 in fiscal 1989 are included to fund an alcohol counselor. Donations were increased from $4,000 each year of the 1987 biennium to $4,500 each year of the 1989 biennium. The canteen funds are included at $25,000 each year. Federal school food reimbursement is included at $90,000 each year based on 111 breakfast meals per day at 85 cents and 111 lunches per day at $1.375. Federal boarder reimbursement is included at $54,020 each year based on two federal boarders at $74 per day. ECIA Chapter I funds are included at $80,802 each year and the ECIA Chapter II funds are $900 each year of the biennium. The school's land grant income is included at $310,000 each year of the biennium.

MONTANA STATE PRISON
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	406.06	$25,719,876	$32,160,689
LFA Current Level	401.53	24,764,616	31,483,428
Executive Over (Under) LFA	4.53	$ 955,260	$ 677,261

The executive budget includes $955,260 more general fund than LFA current level. Total funds are $677,261 over the LFA current level. The executive recommends 4.53 FTE over the LFA current level. The major differences between the executive budget and LFA current level are discussed in the following issues.

CARE AND CUSTODY

ISSUE 1: ADDITIONAL STAFFING

The executive budget adds 6.4 FTE for an estimated increase in the prison population to 968 inmates in fiscal 1988 and 990 in fiscal 1989. These FTE cost approximately $316,890 more than the LFA current level.

ISSUE 2: DELETED FTE

The executive deletes 3.87 FTE to account for not funding the 1987 program. These FTE remain in the LFA current level and cost approximately $206,230 over the 1989 biennium.

ISSUE 3: VACANCY SAVINGS

The executive budget applies 1.68 percent vacancy savings to prison security staff and 4 percent to other staff compared with the LFA current level vacancy savings rate of 4 percent for all staff. The overall savings difference amounts to $212,056 more in the LFA current level.

ISSUE 4: OPERATING COSTS

The executive budget adds $488,000 for the 1989 biennium for costs associated with increasing the average daily inmate population to 990 by fiscal 1989.

ISSUE 5: EQUIPMENT PURCHASES

The executive budgets $25,000 for equipment each year. There is no equipment in the LFA current level which makes the executive budget $50,000 over LFA current level for the 1989 biennium.

ISSUE 6: AUDIT COSTS

The executive budget is $24,750 higher than LFA current level because the executive budget has $24,750 added for audit costs. LFA current level includes these costs in the Department of Institutions Central Office.

PRISON RANCH

ISSUE 7: OPERATING COSTS

The executive budget adds $75,464 in supplies and materials over the LFA current level and the agency request.

ISSUE 8: EQUIPMENT AND LIVESTOCK

The executive budget has $314,000 less equipment and livestock than the LFA current level.

LICENSE PLATE FACTORY

ISSUE 9: ALUMINUM PURCHASE

The executive budget includes $120,000 less than the LFA current level for the purchase of aluminum inventory used in the manufacturing of license plates.

ISSUE 10: MAJOR MAINTENANCE

The executive budget provides $30,000 more for major maintenance of license plate factory equipment than the LFA current level.

PRISON INDUSTRIES

ISSUE 11: SHOP SUPERVISOR MODIFIED

The executive budget adds a 1.0 FTE shop supervisor with a biennial cost of $45,575 over the LFA current level.

ISSUE 12: OPERATING COSTS

The executive budget includes $2,979 for the Industries Program audit costs in fiscal 1988 while the LFA current level consolidates institutional audit costs in the Department of Institutions Central Office. The executive includes $4,500 more for building supplies in fiscal 1989 than the LFA current level.

ISSUE 13: EQUIPMENT

The executive budget includes $1,454 more for equipment in fiscal 1989 than the LFA current level.

INDUSTRIES TRAINING

ISSUE 14: CAREER COUNSELOR MODIFIED

The executive budget adds a 1.0 FTE career counselor to the Industries Training Program with a biennial cost of $50,215 over the LFA current level.

MONTANA STATE PRISON

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	365.23	404.53	401.53	401.53	(3.00)
Personal Service	$ 8,460,553	$ 9,584,310	$10,292,759	$10,396,485	14.7
Operating Expense	4,710,308	4,751,331	5,079,202	5,223,037	8.9
Equipment	63,806	713,850	219,645	272,300	(36.7)
Total Expenditures	$13,234,667	$15,049,491	$15,591,606	$15,891,822	11.3
Fund Sources					
General Fund	$10,410,164	$11,792,935	$12,295,262	$12,469,354	11.5
State Special	786,090	780,201	1,123,285	1,177,136	46.9
Federal Revenue	125,542	91,292	90,533	90,533	(16.5)
Proprietary Funds	1,912,871	2,385,063	2,082,526	2,154,799	(1.4)
Total Funds	$13,234,667	$15,049,491	$15,591,606	$15,891,822	11.3

The Montana State Prison provides low, high, and maximum security for Montana's male inmate population. In addition, the prison provides work, education, and training for inmates through the ranch and dairy operation, the Industries Program, and the Industries Training Program. The fiscal 1986 average daily population was 907 inmates compared with 740 in fiscal 1984 and a budgeted average daily population of 800 inmates. A new high security unit and a new maximum security unit were completed and occupied early in fiscal 1987. Each unit has a design capacity of 96 for a total of 192 beds. The completion of these units eliminated the need to house inmates in the gymnasium. However, it has not eliminated the need for double bunking in Close I and II units. The prison has a design capacity of 744 inmates; with a average daily population of 925 in the first four months of fiscal 1987, inmates are still "double bunked" at the prison.

The 1989 biennium budget increases 11.3 percent over the 1987 biennium. This increase is due to full staffing of the prison now that the expansion is complete plus increases in employee benefits resulting from increases in the workers' compensation rates. Operating costs increase for inflation, growth in the Industries Program annual output, aluminum purchases for the license plate factory, and utility costs at the newly completed Industries Training Program building. Decreased cattle purchases for the ranch operation account for the decrease in equipment into the 1989 biennium. The Prison Ranch has deleted 3.0 FTE that are no longer needed.

The prison budget has six programs: Care and Custody, the Ranch and Dairy, the License Plate Factory, the Canteen, the Industries Program and Industries Training.

CARE AND CUSTODY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987*	Current Level - - Fiscal 1988	Current Level - - Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	340.53	379.78	379.78	379.78	0.00
Personal Service	$ 7,736,005	$ 8,911,672	$ 9,483,419	$ 9,580,431	14.5
Operating Expense	2,663,675	2,879,319	2,813,048	2,900,127	3.1
Equipment	32,264	39,864	-0-	-0-	(100.0)
Total Expenditures	$10,431,944	$11,830,855	$12,296,467	$12,480,558	11.3
Fund Sources					
General Fund	$10,262,154	$11,687,892	$12,125,956	$12,309,213	11.3
State Special	51,423	51,638	79,978	80,812	56.0
Federal Revenue	118,367	91,325	90,533	90,533	(13.7)
Total Funds	$10,431,944	$11,830,855	$12,296,467	$12,480,558	11.3

*Includes balance of biennial appropriations.

The Care and Custody unit includes the housing, security, general operations, and administration of the prison. The prison care and custody was authorized 340.53 FTE in fiscal 1986 to staff the expanded prison facilities which were expected to open in January 1986. The expansion was not completed and ready for occupancy in fiscal 1986, however due to population increases during the fiscal year some of the positions were filled. The prison used part of the $517,387 expansion funding savings to cover a $253,986 deficit in the regular general fund appropriation. Table 1 provides an analysis of the prison general fund as it was appropriated, net of the Governor's 2 percent cuts, and expended in fiscal 1986.

Table 1
Comparison of Montana State Prison-Care and Custody Appropriations and Expenditures
Fiscal 1986

Expansion	Appropriated	Expended	Difference
Personal Services	$ 796,026	$ 350,796	$ 445,230
Operating Expense	105,624	33,468	72,156
Total Expansion	$ 901,650	$ 384,264	$ 517,386
Regular			
Personal Services	$ 7,079,013	$ 7,318,811	$(239,798)
Operating Expense	2,499,628	2,510,245	(10,617)
Equipment	-0-	3,571	(3,571)
Total Regular	$ 9,578,641	$ 9,832,627	$(253,986)
Biennium Appropriations			
Equipment	$ 68,000	$ 28,692	$ 39,308
Audit	17,132	16,571	561
Total General Fund	$10,565,423	$10,262,154	$ 303,269

As the table shows, less than half of the $901,650 expansion funds were expended on the expansion. Of the remainder, $253,986 was used to cover the regular general fund deficit. The $39,308 balance of the equipment appropriation and $561 of the audit appropriation are included in the fiscal 1987 appropriated on the main table since they are biennial appropriations.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 2
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	340.53	340.53	0.00
Personal Service	$ 7,942,000	$ 7,736,005	$ 205,995
Operating Expense	2,713,636	2,663,675	49,961
Equipment	68,000	32,264	35,736
Total Expenditures	$10,723,636	$10,431,944	$291,692
Funding			
General Fund	10,565,423	10,262,154	303,269
State Special	51,618	51,423	195
Federal and Other	106,595	118,367	(11,772)
Total Funds	$10,723,636	$10,431,944	$291,692

Personal services are $205,995 less than the legislature authorized because the expansion was not completed in January 1986 as anticipated. Therefore, the agency did not hire all of the expansion staff authorized. As shown in Table 2 above, half of the savings generated by the late opening of the expanded facilities was used to offset the personal services deficit incurred in the regular operation of the prison. The prison experienced an average daily population of 107 inmates more than budgeted. The additional population required additional posts for the gymnasium, which housed up to 80 of the minimum security inmates while the expanded facilities were being completed.

Operating costs were $49,961 less than authorized primarily because of the expansion costs operating savings. Savings of nearly $40,000 occurred in contracted services as fewer inmates were boarded out-of-state than anticipated. Data processing charges from the Department of Administration were $8,000 less than anticipated since the prison converted to the Department of Institutions computer. The prison spent less than authorized in supplies, communications, and repairs offset by expenses that were more than authorized in travel and allowances for inmates in the other expense category. The prison reduced their biennial equipment appropriation from $80,000 to $68,000 for the Governor's 2 percent cuts. Only $28,692 of the appropriation was spent leaving a balance of $39,308 to carry into fiscal 1987. The remaining $3,573 spent on equipment was a result of the explosion on December 30, 1985.

The general fund savings of $303,269 are the residual savings from the expansion funds. The state special revenue is from the alcohol earmarked account and supports two alcohol counselors at the prison. Federal funds include adult basic education funds of $14,974 spent in fiscal 1986, ECIA Chapter I and II funds of $3,708 spent in fiscal 1986, and federal boarder funds of $99,685 expended in fiscal 1986. More federal boarder reimbursement was received than anticipated. In compliance with Section 3 of House Bill 500, the additional federal funds were expended and general fund expenditures were reduced by an equal amount.

Current Level Adjustments

Operating costs were reduced $38,197 in contracted services for psychological contracts with all contractors except the psychiatrist. The prison has three full time psychologists, nine correctional treatment specialists, a half time correctional treatment specialist supervisor and 1.5 FTE chaplains costing $465,772 per year to provide psychological and spiritual treatment. The contracts appear to be a duplication of services, particularly the contract with the University of Montana's Department of Psychology for graduate students to work and study at the prison. Legislative audit fees of $17,553 were removed from the base as these costs are now included in the Department of Institutions Central Office budget. Insurance costs are increased $40,503 based on quotes from the Tort Claims Division of the Department of Administration. Supply costs are increased $5,241 for janitorial supplies to take care of the new housing units. Telephone equipment charges are increased $15,856 for the prison's new phone system based on quotes from the Telecommunications Division of the Department of Administration. One-time costs of $6,087 for moving phones have been removed from the base. Out-of-state travel costs were reduced $12,828 to the fiscal 1986 authorized level. Natural gas was increased $29,499 and building repair and maintenance costs were increased $27,178 for the addition of the new facilities that were not in the fiscal 1986 base. Other minor adjustments amount to less than one percent.

The general fund increases 11.3 percent over the 1987 biennium as a result of the increases in personal services. The state special alcohol funds increase 56 percent as three alcohol counselors are funded from the alcohol funds. Federal funds decrease 13.7 percent as fewer federal boarder days are expected in the 1989 biennium. Federal boarder revenue is included at $17,850 each year of the biennium while ECIA Chapter I and II funds are included at the current level of $3,708 each year.

PRISON RANCH

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	15.75	15.75	12.75	12.75	(3.00)
Personal Service	$ 378,665	$ 426,284	$ 425,635	$ 429,720	(6.3)
Operating Expense	827,443	656,755	600,443	606,094	(18.7)
Equipment	25,073	713,850	187,500	226,900	(43.9)
Total Expenditures	$1,231,181	$1,796,889	$1,213,578	$1,262,714	(18.2)
Fund Sources					
Proprietary Funds	$1,231,181	$1,796,889	$1,213,578	$1,262,714	(18.2)

The prison ranch and dairy is self-supporting and uses dairy, crops and beef cattle enterprises to provide work and training for inmates. The ranch provides

milk, cottage cheese, and ice cream to the other institutions. The slaughter house operation with its three FTE has been eliminated as a money loser. The slaughter house is now used for training inmates and providing meat for the prison only.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 3
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	15.75	15.75	0.00
Personal Service	$ 425,163	$ 378,665	$ 46,498
Operating Expense	637,133	827,443	(190,310)
Equipment	692,850	25,073	667,777
Total Exp. and Funding	$1,755,146	$1,231,181	$ 523,965

The ranch spent $46,498 less than authorized due to the vacancies of the 2.0 FTE butchers and the 1.0 FTE meatcutter which resulted from the elimination of the slaughter house operation. Operating expenses are $190,310 more than authorized due to an inventory adjustment of $145,919 which is a non-cash expenditure and to purchasing feed and feed supplements of $58,957.

The ranch was authorized $143,600 for equipment purchases and $549,250 for livestock and expended $521 on equipment and $24,552 on livestock. Overall the ranch spent $523,965 less than authorized because the operation generated less income than anticipated.

Current Level Adjustments

Personal services have been decreased 3.0 FTE for the butcher and meatcutter positions eliminated with the closure of the slaughter house operation.

Operating costs have been decreased $2,036 for audit costs which have been transferred to the Department of Institutions Central Office. Other decreases of $236,797 are made for required accounting entries that have no cash effect. Hay costs are reduced $58,582 as the ranch expects hay production to be higher in the 1989 biennium.

Equipment is included at the ranch's requested level of $176,100 in fiscal 1988 and $215,500 in fiscal 1989 to replace agricultural equipment, ranch trucks and dairy equipment. Also included is $10,000 each year for breeding bulls and $1,400 each year for saddle horses.

The ranch budget is presented as requested for two reasons. First. there is no state general fund or other direct taxes involved. Second, the ranch must generate its own revenue through product sales; and therefore, unless there is a demand for the product there will be no cash to spend. Two concerns with the ranch appropriation authority are the level-product prices charged to the other institutions and the transfer of authority to other programs. The ranch pricing of dairy products is at 95 percent of the retail price for milk as set by the Milk Control Board. This pricing represents a savings to the institutions and reduces the general fund cost of operating other institutions. The general appropriation act allows transfers among programs. When there is no set obligation on an appropriation, it is good fiscal policy to restrict the transfer of this appropriation authority to other programs.

PRISON LICENCE PLATE FACTORY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Service	$ 67,482	$ 51,353	$ 70,417	$ 71,093	19.1
Operating Expense	262,719	316,179	443,292	417,765	48.7
Equipment	453	-0-	-0-	-0-	(100.0)
Total Expenditures	$330,654	$367,532	$513,709	$488,858	43.6
Fund Sources					
State Special	$330,654	$367,532	$513,709	$488,858	43.6

The License Plate Factory at Montana State Prison manufactures licenses for the State of Montana. This program is not one of the prison industries enterprises. The funding for this program comes from Motor Vehicle fees from the Department of Justice.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 4
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	2.00	2.00	0.00
Personal Service	$ 51,333	$ 67,482	$(16,149)
Operating Expense	303,879	262,719	41,160
Equipment	-0-	453	(453)
Total Exp. and State Special	$355,212	$330,654	$ 24,558

The personal services deficit results primarily from coding $14,170 of inmate pay under personal services rather than under inmate pay in the other expense category where it was budgeted. Overtime and differential pay were unbudgeted expenditures which make up the balance of the personal services deficit.

Operating expenses are $41,160 less than authorized from savings in supplies, utilities, and from coding inmate pay to the personal services budget rather than operating costs where it was budgeted.

Current Level Adjustments

Personal services increase 19.1 percent after budgeting inmate pay in personal services at $15,489 in fiscal 1988 and $15,430 in fiscal 1989.

Operating costs increase nearly 50 percent as a result of budgeting aluminum supplies of $152,425 in fiscal 1988 and $125,908 in fiscal 1989. These supplies were not budgeted in the 1987 biennium because the plant had sufficient inventory on hand to meet the biennial production requirements. The aluminum inventory will be nearly depleted by June 1987; therefore, aluminum supplies are included to produce 392,000 large plates and 34,000 small plates each year and leave a three month inventory on hand. The 1985 legislature authorized $20,000 in fiscal 1986 and $30,000 in fiscal 1987 for major repairs of plant equipment. Following the advice of the industry's leading equipment supplier, the department has not performed the major overhaul of the equipment as requested but is providing preventative and routine maintenance. The 1989 biennium request included $20,000 in fiscal 1988 and $30,000 in fiscal 1989 for major maintenance of the plant equipment. Current level includes $10,000 each year to maintain the existing level of maintenance.

Funding is provided from the motor vehicle state special revenue account through the Department of Justice. Excess funds in the motor vehicle account are used to replace general fund in the Department of Justice programs. The more funds spent in the license plate factory, the less there is to allocate to general fund operations in the Department of Justice.

PRISON INDUSTRIES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	4.25	4.25	4.25	4.25	0.00
Personal Service	$169,421	$112,318	$177,781	$178,863	26.6
Operating Expense	366,890	294,199	450,088	446,243	35.6
Equipment	(198)	-0-	19,500	45,400	100.0
Total Expenditures	$536,113	$406,517	$647,369	$670,506	39.8
Fund Sources					
Proprietary Funds	$536,113	$406,517	$647,369	$670,506	39.8

The Prison Industries Program provides work opportunities for the inmates to prevent idleness, trains inmates in job skills and work habits, and provides products and services to public agencies. The industries program is designed to be self supporting. Industries programs include furniture manufacturing, furniture refinishing and restoration, upholstery, sign manufacturing, printing, logging, post and pole operations, and jack-leg fence construction. In compliance with House Bill 462 (L.1985), new furniture sales to other state agencies are sold through licensed wholesale or retail furniture outlets.

Industries increases nearly 40 percent into the 1989 biennium based on anticipated sales increases over the 1987 biennium levels. The program received $108,170 of budget amendment authority for expanded operations in fiscal 1986 and used $99,124 of the authority. This trend is expected to continue into the 1989 biennium. Personal services increases 26.6 percent as inmate pay of $42,955 each year is included here in the 1989 biennium, while it was budgeted in operating expenses in the 1987 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 5
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	4.25	4.25	0.00
Personal Service	$112,281	$139,445	$(27,164)
Operating Expense	289,009	297,943	(8,934)
Equipment	-0-	(533)	533
Total Expenditures	$401,290	$436,855	$(35,565)
Funding			
Proprietary Funds	$401,290	$436,855	$(35,565)
Additions			
Proprietary	$108,170	$ 99,124	$ 9,046

Personal services are $27,164 more than authorized as a result of coding inmate pay of $32,864 to personal services rather than to operating expenses where it was budgeted.

Operating expenses are $8,934 more than authorized as a result of required accounting entries for the non-budgeted items of depreciation and inventory adjustments which totaled $37,277. After adjusting for these accounting entries the other expense category is $29,042 less than authorized after the program coded inmate pay to personal services. This savings is offset by overexpenditures in contract services of $11,000 for marketing services and a person for the logging operation, supplies and materials of $4,500 various supplies, and utilities of $1,400. Repair and maintenance costs were $10,000 less than anticipated while goods purchased for resale were $6,500 less than authorized.

The program received a budget amendment for $108,170 for expanded production to meet increased demand. The program spent $99,124 of the amended authority.

Current Level Adjustments

The current level is included at the agencies requested level, which includes the increase which resulted from the budget amendment in fiscal 1986. Increases over and above the budget-amended level are in supplies, communications, travel, repair and maintenance, goods for resale, and equipment.

Supply increases of $24,000 are for paper products of $11,000, building materials of $7,500 for upgrade of work areas, shop supplies of $4,000 needed to perform the daily operations of the program, and various other supplies amounting to $5,000. Communications increases of $1,371 are for mailing marketing pamphlets and telephone charges associated with the prison's new telephone system. Travel increases $1,819 to provide extra meals and lodging required for the delivery truck driver as a result

of increased sales and an out-of-state seminar for the industries supervisor. Repair and maintenance increases $8,608 primarily for repair of the logging machinery. Raw materials purchased for manufacture and resale increases $84,829 based on 30 percent of projected sales of $715,922 plus inventory stocking of $30,000.

Table 6 shows the equipment requested by fiscal year.

Table 6
Prison Industries Equipment List

Equipment Item	Fiscal 1988	Fiscal 1989
1 - 4x4 Crew Cab Pickup	$ -0-	$ 8,500
10 - Chain Saws	8,000	-0-
1 - Dust Collection System	10,000	-0-
- Misc. Furniture Tools	1,500	-0-
1 - 2 Color Head for Print Press	-0-	8,500
1 - Paper Jogger	-0-	700
1 - Numbering Machine	-0-	3,500
1 - Sewing Machine	-0-	1,200
1 - Enlarger	-0-	2,000
1 - Darkroom Equipment	-0-	10,000
1 - Letter Die Cutter	-0-	1,500
1 - Lettering Die	-0-	3,000
1 - Table Saw	-0-	3,500
1 - Collator	-0-	3,000
Total	$19,500	$45,400

Equipment is included at the program's requested level of $19,500 in fiscal 1988 and $45,400 in fiscal 1989.

PRISON CANTEEN

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level Fiscal 1988	Current Level Fiscal 1989	% Change 1987-89 Biennium
Operating Expense	$403,403	$361,031	$529,598	$607,466	48.7
Equipment	610	-0-	-0-	-0-	(100.0)
Total Expenditures	$404,013	$361,031	$529,598	$607,466	48.6
Fund Sources					
State Special Funds	$404,013	$361,031	$529,598	$607,466	48.6

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. 2.0 FTE Canteen Store Managers	$(49,663)	$49,663	$(49,841)	$49,841

The Prison Canteen provides an institution store for the inmates to purchase personal and incidental items. The canteen is supported through funds generated from its operation with the exception of 2.0 FTE store managers, costing $49,663 in fiscal 1988 and $49,841 in fiscal 1989, who are supported by general fund. Current sales are not sufficient to support the store manager positions. Any profits from the operation are deposited to the inmate welfare fund.

The canteen increases 48.7 into the 1989 biennium as projected sales increase 15 percent per year. Part of the increase is due to the increase in the prison population which increased 22.6 percent from fiscal 1984 to fiscal 1986.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 7
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
Operating Expense	$360,756	$403,403	$(42,647)
Equipment		610	(610)
Total Exp. and State Special	$360,756	$404,013	$(43,257)

The canteen overexpended its authority by $42,647 in operating costs, primarily goods for resale, and $610 in equipment as a result of expanded sales beyond those anticipated by the 1985 legislature. The canteen requested a supplemental for $69,244 of state special canteen funds which was signed by the Governor on April 21, 1986.

Current Level Adjustments

The current level is included at the program's requested level which increases funds transferred to the inmate welfare account by $4,782 in fiscal 1988 and $7,777 in fiscal 1989 based on 4 percent of projected sales of $499,158 in fiscal 1988 and $574,031 in fiscal 1989. Goods purchased for resale are increased $121,723 in fiscal 1988 and $196,596 in fiscal 1989.

ISSUE 1: FUNDING OF STORE MANAGER POSITIONS

The canteen operation has 2.0 FTE store manager positions costing $49,663 in fiscal 1988 and $49,841 in fiscal 1989 which are funded with general fund in the prison budget. Funding these positions with canteen funds would require an overall increase in canteen prices of 10 percent, assuming that the projected sales included in this budget are correct and that demand remains constant with the increase in price.

Option A: Fund the 2.0 FTE store manager positions with funds from canteen sales, saving $49,663 of general fund in fiscal 1988 and $49,841 in fiscal 1988. Require the program to price canteen products to enable the support of these positions.

Option B: Take no action.

PRISON INDUSTRIES TRAINING

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.75	2.75	2.75	2.75	0.00
Personal Service	$108,980	$ 82,683	$135,507	$136,378	41.9
Operating Expense	186,178	244,442	242,733	245,342	13.3
Equipment	5,604	-0-	12,645	-0-	125.6
Total Expenditures	$300,762	$327,125	$390,885	$381,720	23.0
Fund Sources					
General Fund	$148,010	$145,468	$169,306	$160,141	12.3
Federal Revenue	7,175	-0-	-0-	-0-	(100.0)
Proprietary Funds	145,577	181,657	221,579	221,579	35.4
Total Funds	$300,762	$327,125	$390,885	$381,720	23.0

The Industries Training Program is a program approved by the 1983 legislature as a result of Senate Bill 1 of the second special session in fiscal 1982. The program as approved, includes auto repair, heavy equipment repair, industrial arts, meat cutting, horticulture, business skills, and an electronic repair center. A new building was completed and occupied in fiscal 1986.

This program is supported by general fund at approximately 44.5 percent and proprietary funds for the balance. Personal services increase 41.9 percent in the 1989 biennium as a result of including $44,629 each year for inmate pay which was budgeted in operating expenses in the 1987 biennium. Operating expenses increase 13.3 percent primarily for utilities in the new facilities.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 8
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	2.75	2.75	0.00
Personal Service	$ 82,598	$108,980	$(26,382)
Operating Expense	294,328	186,178	108,150
Equipment	12,140	5,604	6,536
Total Expenditures	$389,066	$300,762	$ 88,304
Funding			
General Fund	$155,348	$148,010	$ 7,338
Federal Revenue	37,323	7,175	30,148
Proprietary Funds	196,395	145,577	50,818
Total Funds	$389,066	$300,762	$ 88,304

Personal services are $26,382 more than authorized due to coding inmate pay of $40,266 as personal services costs rather than as operating costs where they were budgeted.

Operating costs are $108,150 under the authorized level as a result of the accounting for inmate pay as discussed above and utility savings of $13,000 as the new building was not completed until late in fiscal 1986. Only $7,174 of the federal Carl Perkins Funds budgeted at $37,243 were available in fiscal 1986. The program spent $10,500 less on supplies than anticipated and made a required accounting adjustment of a negative $11,769 for an inventory adjustment. Other minor differences amount to less than one percent.

Current Level Adjustments

Personal Services increase 41.9 percent after adding $44,629 each year for inmate pay which was budgeted under operating expenses in the 1987 biennium.

Operating costs increase 13.3 percent after adding projected natural gas costs for the new 16,000 square foot building of $23,217 and electricity costs of $5,868. Contracted services decrease $12,674 for a 0.75 FTE horticulture supervisor that is included in personal services in lieu of the 0.75 FTE industries shop supervisor. Merchandise for resale, purchased out of the proprietary fund, is increased $25,522.

Funding for this program comes from the general fund and funds the program generates from the sale of products and services to other prison programs and other state agencies. The 1987 legislature provided general fund at 44.52 percent of total funds exclusive of federal grants the program obtains. The current level provides general fund at 43 percent of the total in fiscal 1988 and 41 percent on fiscal 1989 based on the proprietary revenue the program estimates it will generate in each year of the biennium of $221,579.

SWAN RIVER FOREST CAMP
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Biennium Total Funds
Executive Budget	25.83	$1,671,332	$1,907,132
LFA Current Level	25.83	1,668,081	1,895,072
Executive Over (Under) LFA	0.00	$ 3,251	$ 12,060

The executive budget is $3,251 over the LFA current level general fund and $12,060 over LFA current level total funding. The differences between the executive budget and LFA current level are discussed in the issues that follow.

ISSUE 1: AUDIT FEES

The executive budget includes $8,000 in fiscal 1986 for the legislative audit costs. The LFA current level consolidates the institutional audit costs in the Department of Institutions Central Office.

ISSUE 2: CONTRACT IMPROVEMENT FUNDS

The executive budget includes $7,032 for federal contract improvement funds to provide staff training and resident recreational equipment and supplies that are not included in LFA current level.

SWAN RIVER FOREST CAMP

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	26.83	26.83	25.83	25.83	1.00
Personal Service	$666,527	$645,852	$650,550	$654,220	(0.6)
Operating Expense	267,323	289,249	289,411	296,700	5.3
Equipment	13,229	3,650	2,551	1,640	(75.2)
Total Expenditures	$947,079	$938,751	$942,512	$952,560	0.5
Fund Sources					
General Fund	$829,230	$824,507	$829,149	838,932	0.9
State Special	79,012	74,794	86,293	86,530	12.4
Federal Revenue	38,837	39,450	27,070	27,098	(30.8)
Total Funds	$947,079	$938,751	$942,512	$952,560	0.5

The Swan River Forest Camp is a minimum security work camp for inmates transferred from the state prison who are between the ages of 18 and 26. The inmates work with the Forestry Division of the Department of State Lands and are involved in several forestry programs such as thinning, seeding, and planting trees as well as campground and recreation area maintenance. The facility has an overall capacity of 54 inmates. The fiscal 1986 average daily population was 51 inmates and is expected to remain at 51 for the 1989 biennium.

After the camp's superintendent retired in fiscal 1986, the department appointed the deputy superintendent/business manager as superintendent, deleting the business manager position in the process. The current level budget reflects the reduction from 26.83 FTE to 25.83 in the 1989 biennium. Personal services decrease 0.6 percent as a result of deleting the business manager position. The decrease would have been greater except for the 10.7 percent increase in employee benefits as a result of the workers' compensation rate increases. Employee benefits increase from 17.3 percent of salaries in fiscal 1986 and 17.9 in fiscal 1987 to 19.5 percent in fiscal 1988 and 20.3 percent of salaries in fiscal 1989.

Operating costs increase 5.3 percent into the 1989 biennium as a result of new operating costs required by the newly constructed sewage treatment plant at the facility. An increase in goods purchased for resale to the inmates also contributes to the operating increase.

The general fund increases less than one percent while state special revenue canteen funds increase 12.4 percent to allow additional authority for increased canteen sales. Federal funds decrease as fewer federal boarder days are projected as well as fewer eligible inmates for school lunch and ECIA Title I funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	26.83	26.83	0.00
Personal Service	$ 656,984	$666,527	$(9,543)
Operating Expense	282,620	264,766	17,854
Equipment	21,932	8,832	13,100
Total Expenditures	$961,536	$940,125	$21,411
Funding			
General Fund	$849,728	$829,230	$20,498
State Special	74,283	79,012	(4,729)
Federal & Private	37,525	31,883	5,642
Total Funding	$961,536	$940,125	$21,411
Budget Amendments	$ 8,149	$ 6,954	$ 1,195

The camp overexpended authorized personal services by $9,543 after the Governor's cuts of $12,673 and budgeted vacancy savings of $13,181. The major reason for this overexpenditure was the termination pay for the retired superintendent. The camp paid out $14,616 or 2 percent of total personal services for termination pay.

Operating savings totaled $17,854 after the Governor's cuts of $4,206. Savings were realized mainly in supplies and utilities. However, almost all expenditure categories produced some savings with the exception of repairs and maintenance, which was overspent by $941. The camp did not purchase all the authorized equipment leaving a $13,100 balance in the equipment budget.

In total the camp saved $37,839 of general fund when the Governor's cut of $17,341 is added to the $20,498 reflected in Table 1. The canteen funds are overexpended as sales to the inmates exceeded the available authority in the canteen accounts, requiring the camp to seek a supplemental appropriation. ECIA title I and school lunch funds were $5,642 less than authorized as the school's eligible school age population declines.

Current Level Adjustments

Operating costs are increased to allow for the additional costs of operating the new sewage treatment plant at the facility. The plant is built on forest service land,

which the camp will lease for $1,000 per year. Electricity is increased $1,150 each year based on the project engineer's estimate of usage. Maintenance costs are included at $9,900 in fiscal 1988 and $10,750 in fiscal 1989, also based on costs developed by the project engineer. Merchandise purchased for resale to the inmates is increased $6,675 to $58,000 each year. In addition to buying personal items from the canteen, inmates also purchase their clothing through the canteen. Other minor adjustments amount to less than one percent.

Equipment included in current level is for replacing mattresses in fiscal 1988 and dining room chairs, a video recorder, and three calculators in fiscal 1989.

Funding includes general fund, which increases less than one percent, and state special alcohol funds, which fund an alcohol counselor at $28,293 in fiscal 1988 and $28,530 in fiscal 1989. State special canteen funds are included at $58,000 each year of the biennium. ECIA Title I funds increase to $9,570 in fiscal 1988 and $9,598 in fiscal 1989, while federal school lunch funds decrease to $2,000 each year from an appropriated level of $5,220 in fiscal 1986 and 1987. Federal boarders decreases from $16,300 in fiscal 1986 to $15,500 in each year of the 1989 biennium as fewer federal boarder days are projected. This results primarily from lack of space available to federal inmates when Montana's correctional population is above capacity.

MONTANA DEVELOPMENTAL CENTER
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	430.65	$23,410,543	$23,522,590
LFA Current Level	440.15	23,958,819	24,073,115
Executive Over (Under) LFA	(9.50)	$ (548,276)	$ (550,525)

The executive budget has 9.5 less FTE and is $550,525 under the LFA current level. This difference is due to three issues that follow.

ISSUE 1: FEWER FTE

The executive budget deletes 9.5 FTE that remain in the LFA current level at general fund cost of $452,119 over the biennium.

ISSUE 2: OPERATING COSTS

The executive budget includes operating expenses that are $68,658 under the LFA current level. The executive includes the biennial audit cost of $20,000 while the LFA current level included the audit costs for this institution and all institutions in the central office budget. The executive budget is under the LFA current level in all other expenditure categories. The executive does not replace depleted drug inventories costing $29,260 over the biennium. Telephone equipment costs are $26,293 lower in the executive budget. The executive budget has $4,096 less for out-of-state travel, $14,033 less for maintenance contracts, and $9,524 less for staff training.

ISSUE 3: EQUIPMENT

The executive budget includes $20,000 each year for equipment to be purchased at the management's discretion, compared to $49,835 in fiscal 1988 and $19,915 in fiscal 1989 included in the LFA current level to purchase items 1 through 10 on the institution's priority list.

MONTANA DEVELOPMENTAL CENTER

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	440.40	440.15	440.15	440.15	0.00
Personal Service	$ 9,139,175	$ 9,349,253	$10,200,410	$10,329,474	11.0
Operating Expense	1,621,314	1,761,645	1,718,381	1,755,100	2.7
Equipment	15,748	-0-	49,835	19,915	342.9
Total Operating Costs	$10,776,237	$11,110,898	$11,968,626	$12,104,489	10.0
Non-Operating Costs	2,530	-0-	-0-	-0-	(100.0)
Total Expenditures	$10,778,767	$11,100,898	$11,968,626	$12,104,489	10.0
Fund Sources					
General Fund	$10,711,424	$11,046,061	$11,912,340	$12,046,479	10.1
State Special	28,608	20,324	13,626	13,626	(44.3)
Federal Revenue	38,735	44,513	42,661	44,384	4.6
Total Funds	$10,778,767	$11,110,898	$11,968,626	$12,104,489	9.9

The Montana Developmental Center, formerly Boulder River School and Hospital, provides services to mentally retarded children and adults. The center's population has stabilized over the last two bienniums at an average of 202 residents.

Personal services increase 11.0 percent for three primary reasons. First, vacancy savings is budgeted at 4 percent in the 1989 biennium current level, while the 1987 biennium was budgeted at 6 percent and the agency experienced actual vacancy savings of approximately 7.5 percent. This decrease in vacancy savings amounts to $459,000 or 2.5 percent of the total increase. Secondly, as a result of a federal medicaid review, the center has replaced sixteen lower paid support FTE with higher paid direct care and treatment staff. This staffing change was implemented in an attempt to meet medicaid certification standards. The third and major reason for the personal services increase is a 42 percent increase in employee benefits. This increase results primarily from workers compensation rate increases. Benefits were 23 percent of employee compensation in fiscal 1986 while fiscal 1987 is budgeted at 21.8 percent. The fiscal 1988 requested current level benefits are 28.5 percent of salaries, while fiscal 1989 benefits are at 30.5 percent.

Operating expenses increase 2.7 percent to cover additional telephone equipment costs resulting from the installation of a new phone system, and for additional training costs to provide staff training in areas of noted deficiencies in the medicaid survey.

General fund increases 10.1 percent over the 1987 biennium, primarily because of the increase in personal services caused by Worker's Compensation increases. State special revenue funds decrease as a result of discontinuing the canteen operation. Federal ECIA Chapter I funds increase 4.6 percent over the 1987 biennium. The balance of the state special revenue is donated funds. Federal school lunch and ECIA chapter I funds increase only slightly, as the school age population stabilizes at 22 children.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	440.4	440.4	0.00
Personal Service	$ 9,136,818	$ 9,139,175	$ (2,357)
Operating Expense	1,730,281	1,621,314	108,967
Equipment	17,000	15,748	1,252
Subtotal	$10,884,099	$10,776,237	$107,862
Non-Operating Costs	$ -0-	$ 2,530	$ (2,530)
Total Expenditures	$10,884,099	$10,778,767	$105,332
Funding			
General Fund	$10,797,710	$10,711,424	$ 86,286
State Special	33,844	28,608	5,236
Federal Revenue	52,545	38,735	13,810
Total Funds	$10,884,099	$10,778,767	$105,332

Personal services were over expended by $2,357 after the Governor's required 2 percent cut of $185,685 as allocated by the agency. The 2 percent cut is in addition to the 6 percent vacancy savings applied to the center's appropriation. These savings result from freezing vacant positions early in the fiscal year as well as eliminating selected support positions in order to accommodate the new positions required by the medicaid survey. Many of these new positions remained unfilled during fiscal 1986.

Operating costs are $108,967 less than appropriated after the $31,676 reduction due to the Governor's 2 percent cut. Operating savings were achieved primarily in supplies and materials, utilities, and repair and maintenance. The center drew down supply inventories to reduce expenditures, while reduced natural gas rates produced

savings in utilities. The center reduced repair and maintenance expenditures from appropriated levels and previous years' expenditure levels. Equipment purchases were reduced to accommodate the Governor's 2 percent cuts.

Medicaid Summary

On January 13-17 of 1986, staff from the Division of Health Standards and Quality, Health Care Financing Administration (HCFA), conducted a survey of the Montana Developmental Center. Based upon the survey findings, it was determined that the center was not in compliance with a number of standards, including the requirement that active treatment be provided to all clients. Immediate corrective action is essential, according to HCFA, if the center is to remain certified under the medicaid program. The potential loss of medicaid funds to the state general fund could reach $6 million annually in the 1989 biennium. Deficiencies as stated in the survey pertain to the following standards for intermediate care facilities for the mentally retarded(ICFMR):

Administrative Policies and Procedures
Admission and Release
Personnel Policies
Resident Living
Professional and Special Programs and Services
Dental Services
Training and Habilitation Services
Food and Nutrition Services
Medical Services
Pharmacy Services
Physical and Occupational Therapy Services
Psychological Services
Speech Pathology and Audiological Services
Safety and Sanitation

A plan of correction for each deficiency noted in the survey has been submitted by the Department of Institutions and the center. The major impact of the correction plan is a change in staff in specific disciplines to correct the stated deficiencies. The major disciplines affected are: nursing, occupational therapy, physical therapy, psychology, recreation, speech, social work, and qualified mental health professionals (QMHP). The department's plan of correction changes the 16 FTE and states that every effort will be made to fill the vacant positions shown.

Table 2
Staff Added to Meet HCFA Standards - Fiscal 1987

FTE	PROFESSIONAL STAFF
4.0	Qualified Mental Retardation Professionals
1.0	Psychologist
2.0	Registered Nurses
2.0	Occupational Therapy Aides
2.0	Recreational Therapists
2.0	Social Workers
3.0	Habilitation Training Specialists
16.0	Total Staff Added
	Existing Vacancy Positions
1.0	Speech Pathologist
2.0	Physical Therapists
1.0	Occupational Therapist
4.0	Existing Vacant Positions to be filled

Current Level Adjustments

Current level operating costs have been decreased $1,500 for legal fees, as these services should be provided either by the central office attorneys or Montana Legal Services. Audit fees of $19,034 have been removed from current level and audit fees for the 1989 biennium included in the central office budget. Expenditures for burials and autopsies have been reduced $1,750 to $1,605. Fire protection costs have been included at $1,000. The center was not billed by the city of Boulder for fire protection in fiscal 1986. Vehicular supplies were reduced $1,126 to previous years' expenditure levels. Drug supply costs are increased $12,240 as the center depleted inventory in fiscal 1986. An additional $12,500 was included for medical supplies in fiscal 1988 to test all residents and staff for hepatitis B and provide inoculations where necessary, as two of the residents are known carriers of hepatitis B. Patient reinforcers have been increased $9,269 as a result of increased patient activities required by the Health Care Financing Administration medicaid certification review. Communication costs have been increased $53,981 in fiscal 1988 and $49,409 in fiscal 1989 as a result of the installation of a new telephone system. This increase accommodates the terms of the lease purchase agreement through the state's Telecommunications Division in the Department of Administration. Travel and other expenses have been increased $6,340 to allow staff to attend training seminars and sessions. Staff training was a stated deficiency in the medicaid survey. Maintenance contracts increase $12,250 primarily as a result of the new smoke detectors and door-hold-open devices required by the medicaid survey, as well as for computer maintenance for PC's that are now off of warranty and for costs of the maintenance contract on the telephone system.

Equipment is included at $49,835 in fiscal 1988 and $19,915 in fiscal 1989. This level of funding allows the purchase of the first 10 items on the institution's priority list. The following is the list of equipment included in current level.

Table 3
Montana Developmental Center Equipment List

Priority	Item	Total # Needed	FY 88	FY 89
01	Refrigerators	6	$ 825	$ 825
02	Microwave Oven	2	350	350
03	Dining Tables/Chairs	36	18,000	0
04	Heavy Duty Washing Machines	9	1,800	2,365
05	Heavy Duty Clothes Dryers	9	1,360	1,875
06	Beds & Mattresses	80	12,000	12,000
07	Bedroom Chairs	80	12,000	-0-
08	Hearing Aides	10	1,750	1,750
09	Auditory Trainer	2	750	750
10	Electronic Microswitch Control	1	1,000	-0-
Total		235	$49,835	$19,915

CENTER FOR THE AGED
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	98.84	$5,321,593	$5,341,063
LFA Current Level	99.24	5,338,315	5,352,985
Executive Over (Under) LFA	(.40)	$ (16,722)	$ (11,922)

The executive budget is 0.40 FTE under LFA current level and $16,722 under in general fund, while total funding is $11,922 under LFA current level. The major differences between the executive budget and LFA current level are discussed in the issues that follow.

ISSUE 1: PERSONAL SERVICES

The executive personal services budget is $9,238 under LFA current level. The difference occurs as: 1) the executive deleted 1.4 FTE compared with 1.0 FTE being deleted by LFA current level, 2) the executive budget has higher group insurance costs than LFA current level, and 3) the executive budgeted $4,211 more in vacancy savings over the biennium than LFA current level.

ISSUE 2: AUDIT COSTS

The executive budget includes $10,000 of audit costs in fiscal 1988 while the LFA current level consolidates institutional audit costs in the Department of Institutions Central Office.

ISSUE 3: EQUIPMENT

The executive equipment budget is $10,965 less than LFA current level. The executive includes a vehicle not included in the LFA current level while the LFA current level includes a dish/tray handling system.

CENTER FOR THE AGED

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	100.24	100.24	99.24	99.24	(1.00)
Personal Service	$2,011,975	$1,964,264	$2,150,672	$2,142,729	8.0
Operating Expense	487,023	542,025	504,804	524,344	0.0
Equipment	2,254	610	27,360	3,075	962.7
Total Expenditures	$2,501,252	$2,506,899	$2,682,836	$2,670,149	6.9
Fund Sources					
General Fund	$2,497,292	$2,499,164	$2,675,501	$2,662,814	6.8
State Special	3,960	7,735	7,335	7,335	25.4
Total Funds	$2,501,252	$2,506,899	$2,682,836	$2,670,149	6.9

The Center for the Aged is a residential facility for long-term care and treatment of persons in need of continued psychiatric care who are 55 years or older and transferred from Montana State Hospital or referred from Montana mental health centers. The Center was budgeted for an average daily population of 175 in the 1987 biennium. The actual population averaged 171 in fiscal 1986.

Personal services increase 8.0 percent from the 1987 biennium to the 1989 biennium. This increase results primarily from increases in employee benefit rates, specifically workers compensation. Employee benefits increase from 18 percent of salaries in the 1987 biennium to 23 percent of salaries in the 1989 biennium. The overall increase in the benefits totals 37.6 percent. Of the total biennium increase of $315,311, benefit increases comprise 67.8 percent or $213,831. A portion of the overall increase results from the pay increases between fiscal 1986 to fiscal 1987. Some of the increase results from the Governor's 2 percent cut in fiscal 1986 and the cuts of Special Session III.

Operating costs do not increase due primarily to the elimination of contract laundry costs and modest inflationary increases. Included in fiscal 1988 equipment is a new dish handling system that will reduce one FTE food service worker and one patient worker for a net savings of $36,360 over the biennium.

The general fund increases 6.8 percent primarily to cover increases in personal services. The state special revenue increases 25.4 percent to allow more authority in the center's canteen program.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	100.24	100.24	0.00
Personal Service	$1,956,770	$2,011,975	$(55,205)
Operating Expense	556,359	487,023	69,336
Equipment	7,647	2,254	5,393
Total Expenditures	$2,520,776	$2,501,252	$ 19,524
Funding			
General Fund	$2,513,390	$2,497,292	$ 16,098
State Special	7,386	3,960	3,426
Total Funds	$2,520,776	$2,501,252	$ 19,524

The center exceeded authorized personal services by $55,205. The center had $78,739 or 4 percent vacancy savings applied as well as a $40,138 reduction from the Governor's cuts. The center only realized $63,672 of the total reductions in personal services. The center did achieve $69,336 of operating savings in addition to the $11,156 reduced by the Governor's 2 percent cut. These savings were realized in contract services, supplies and materials, utilities, and repairs and maintenance. The contract services savings result from not completing the center's 1987 biennium audit budgeted at $10,000, professional contracts were $4,800 less than authorized, legal services were provided by the central office attorneys saving $3,000, and all Department of Administration data processing costs have been eliminated for a savings of $3,732. Utilities were $11,000 less due to gas rate decreases and less usage. Savings in supplies were realized in several categories with the largest savings in food supplies of $9,000, hospital supplies of $6,000, and general supplies of $14,000 offset by excess expenditures of $5,000 for disposable briefs and $4,000 for drugs. The center spent $10,000 less on building and grounds maintenance, $5,000 less on maintenance contracts, $6,000 less on equipment and general repairs than authorized while spending $6,000 more than authorized on shop repairs and $3,000 more on hospital furniture repairs.

Current Level Adjustments

Personal services were decreased 1 FTE food service worker and costs for one patient worker based on the agency's request for a Gemini Therma Tray System costing $18,121. The personal service savings total $27,311 in fiscal 1988 and $27,170 in fiscal 1989.

Operating costs were decreased overall by $6,491 and the legislative audit costs for the 1989 biennium are included in the central office budget. The savings result from eliminating contract laundry costs of $29,140. These savings are offset by

increasing insurance costs of $2,512 per quotes from the Department of Administration, burial and autopsy costs of $800 to allow one burial with plot each year of the biennium, laundry supplies of $3,810 because of the new laundry facilities, paper and janitorial supply inventory adjustments of $2,500, copy machine rental of $1,000 to replace an old copier, utility costs of $6,800 resulting from the expansion of the laundry as quoted by the engineer, maintenance contracts of $1,200 to annualize contracts covering the center's personal computers, and goods purchased for resale in the canteen of $3,268. Other minor adjustments amount to less than one percent.

Equipment included in current level totals $27,360 in fiscal 1988 and $3,075 in fiscal 1989. The fiscal 1988 equipment includes the tray system mentioned above costing $18,121, a century bath tub for non-ambulatory patients costing $7,000, new laundry carts costing $1,124, a replacement vacuum cleaner costing $640, and a replacement TV costing $475. The fiscal 1989 equipment includes a replacement TV costing $475, four wheelchairs costing $600, and replacement of the laundry marker costing $2,000.

General fund increases $177,280 in fiscal 1988 and $164,599 in fiscal 1989. This increase results primarily from the increase in employee benefits as stated above. The canteen funds increase $3,375 each year of the biennium to accommodate more purchases for resale to the residents.

EASTMONT TRAINING CENTER
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	90.52	$4,412,828	$4,420,828
LFA Current Level	93.02	4,478,814	4,486,814
Executive Over (Under) LFA	(2.50)	$ (65,986)	$ (65,986)

The executive budget has 2.50 FTE less than LFA current level and $65,986 less in general fund. The differences between the executive budget and LFA current level are discussed in the two issues that follow.

ISSUE 1: PERSONAL SERVICES

The executive budget deletes 2.5 FTE that remain in LFA current level at a cost of $72,993.

ISSUE 2: AUDIT COSTS

The executive budget includes $10,000 of audit costs that the LFA current level has consolidated within the Department of Institutions Central Office.

EASTMONT TRAINING CENTER

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	93.02	93.02	93.02	93.02	0.00
Personal Service	$1,737,473	$1,741,260	$1,911,431	$1,925,345	10.3
Operating Expense	349,993	340,664	316,844	321,235	(7.6)
Equipment	0-	548	7,679	4,280	2,082.3
Total Expenditures	$2,087,466	$2,082,472	$2,235,954	$2,250,860	7.6
Fund Sources					
General Fund	$2,084,533	$2,079,472	$2,231,954	$2,246,860	7.6
State Special	2,933	3,000	4,000	4,000	34.8
Total Funds	$2,087,466	$2,082,472	$2,235,954	$2,250,860	7.6

Eastmont Training Center is a 55-bed intermediate care facility for mentally retarded adults and children. The center provides care, treatment, and education services to mentally retarded residents of the state under the authority of Title 53-20-204, MCA. The center was budgeted for an average daily population of 53 for the 1987 biennium. The actual population averaged 53 in fiscal 1986.

Personal services increase 10.3 percent from the 1987 biennium to the 1989 biennium. The largest single factor causing this increase is the large rate increase in workers compensation charged for institutional employees. Eastmont's employee benefits increase from 17.2 percent of salaries in the 1987 biennium to 22.2 percent of salaries in the 1989 biennium for an overall increase of 41.4 percent, or $194,175. Other personal service increases are a result of approximately $130,000 of vacancy savings required in fiscal 1987 to meet the budget, and the pay increase between fiscal 1986 and 1987.

Operating costs decrease 7.6 percent primarily because of one-time expenditures made in fiscal 1986 to maintain medicaid certification.

General fund increases 7.6 percent as a result of the increases in personal services.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	93.02	93.02	0.00
Personal Service	$1,737,338	$1,737,473	$ (135)
Operating Expense	340,141	349,993	(9,852)
Equipment	4,000	0	4,000
Total Expenditures	$2,081,479	$2,087,466	$(5,987)
Funding			
General Fund	$2,078,479	$2,084,533	$(6,054)
State Special	3,000	2,933	67
Total Funds	$2,081,479	$2,087,466	$(5,987)
PT General Fund	$ 17,449	-0-	17,449
Total Funds	$2,098,928	$2,087,466	$11,462

Personal services were $135 over the authorized level after adjusting for the Governor's 2 percent cut. Operating expenses were overexpended $9,852 as a result of repairs and modifications done to the center to meet medicaid certification. These expenditures totaled $43,384; therefore, the center had to reduce other expenditures for the difference of $33,532. These reductions were mostly in contract services and in supplies and materials where expenditures were $19,000 and $14,000 less than authorized, respectively. Audit fees were $8,500 less than authorized in fiscal 1986, while laundry services were $5,000 less than authorized and legal fees were $3,500 less than authorized. Other various contracts were approximately $2,000 less than the legislature authorized. Supply savings were primarily in general and administrative supplies where $14,540 less than authorized was spent. Some of this savings was offset by an overexpenditure of $2,500 in food items. Medical and drug supplies were $1,700 under the authorized levels.

The center spent none of its equipment authorization. The general fund authorized by the legislature and reduced by the Governor's cut was insufficient to fully fund the center in fiscal 1986. Therefore, the Director used the transfer authority in House Bill 500 to transfer $17,449 from the Montana State Hospital to the center to cover the general fund shortfall.

Current Level Adjustments

Operating costs have been decreased $43,384 for one-time expenditures made to comply with recommendations of the Federal Health Care Financing Administration (HCFA) after its onsite review in August 1985. Contract services have been increased to meet a 2 cent per pound increase in the laundry contract which totals $3,284 each year of the biennium. Also increased is the legal contract to allow one

hour per resident per year for recommitment. The legal fees increase $890 to $2,475. Audit fees are included in the central office budget at $9,240 based on a quote from the Office of the Legislative Auditor. Maintenance contracts were increased $2,361. Other minor adjustments amount to $1,500 while inflation accounts for the balance of the increase or $15,450.

Equipment totals $7,679 in fiscal 1988 and $4,280 in fiscal 1989. The following is a list of the equipment included.

Table 2
Equipment in Current Level for Eastmont Training Center

	FY 1988	FY 1989
Dining room chairs (replacement)	$ 600	$ 600
Draperies Cottage III (replacement)	5,475	-0-
Prone Stander (new)	759	-0-
Floor Mats (new)	348	348
Activity Tables (replacement)	497	497
Circulatory assistance pad	-0-	1,110
Knife sharpener for kitchen	-0-	200
Microfiche reader/printer	-0-	1,525
Total Equipment	$7,679	$4,280

General fund increases $147,421 in fiscal 1988 and $162,327 in fiscal 1989. These increases result primarily from the increases in personal services. The Center's state special revenue account for donations is increased to $4,000 to allow additional authority to spend donated funds.

MONTANA VETERAN'S HOME
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	70.80	$1,144,833	$3,939,715
LFA Current Level	74.00	1,046,792	4,050,985
Executive Over (Under) LFA	(3.2)	$ 98,041	$ (111,270)

The executive budget is 3.2 FTE under the LFA current level and $111,270 under LFA current level total funds. The executive includes $98,041 more general fund than LFA current level. The differences between the executive budget and LFA current level will be discussed in the three issues that follow.

ISSUE 1: PERSONAL SERVICES

The executive budget deletes 3.2 FTE that remain in LFA current level at a cost of $103,102 for the biennium.

ISSUE 2: AUDIT COSTS

The executive budget includes audit costs of $8,000 in fiscal 1988. LFA current level consolidates all audit costs in the Department of Institutions Central Office.

ISSUE 3: FUNDING

The executive budget includes $98,041 more general fund than LFA current level. This difference results from lower federal Veteran's Administration revenue of $38,000 and lower estimated third party revenue of $171,311. This lower total other revenue of $209,311 netted with higher LFA current level expenditures results in $98,041 more general fund in the executive than LFA current level.

MONTANA VETERAN'S HOME

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	74.50	74.50	74.00	74.00	(0.50)
Personal Service	$1,346,156	$1,365,213	$1,511,976	$1,525,319	12.0
Operating Expense	478,169	529,569	496,375	517,315	1.4
Equipment	-0-	11,843	-0-	-0-	(100.0)
Total Expenditures	$1,824,325	$1,906,625	$2,008,351	$2,042,634	8.6
Fund Sources					
General Fund	$ 441,339	$ 492,346	$ 514,140	$ 532,652	12.1
State Special	15,338	20,764	20,764	20,764	15.0
Federal and Other	1,367,648	1,393,515	1,473,447	1,489,218	7.3
Total Funds	$1,824,325	$1,906,625	$2,008,351	$2,042,634	8.6

The Montana Veterans' Home provides domiciliary and nursing care to honorably discharged veterans and, if space is available, to veterans' spouses. An addition to the home was completed in fiscal 1984 increasing the bed capacity to 151, a net increase of 36. Eighty-five of the 151 beds are domiciliary while 66 are nursing care beds. The home averaged 125 members in residence in fiscal 1986 with 60 in nursing care and 65 in domiciliary. Through October of fiscal 1987 the home has averaged 131 members. The current level budget is based on 130 average daily population with 65 in nursing care and 65 in the domiciliary.

Personal services increase 12 percent into the 1989 biennium for two major reasons. First, the 21.63 nurse aides at the institution were upgraded from grade 7 nurse aide I's to grade 8 nurse aide II's as determined by the board of personnel appeals. These upgrades cost approximately $27,000 per year. Second, the institution's workers' compensation increase resulted in an overall increase in benefit rates of 44 percent, from 17.6 percent in fiscal 1986 and 17.4 percent budgeted for fiscal 1987 to approximately 23 percent in the 1989 biennium. These increases were offset $15,500 each year by deleting a vacant 0.5 FTE physical therapist and reducing the vacant grade 10 maintenance worker III to a grade 9 maintenance worker II.

Operating expenses increase 1.4 percent into the 1989 biennium primarily as a result of inflation in utilities.

The Veterans' Home is funded with general fund, federal veterans' administration per diem reimbursement and third party and private pay reimbursements. The Home has a self supporting member canteen. The general fund is used to provide operating funds for those costs in excess of revenues from the federal veterans' administration and billings to the members. The general fund increases 12.1 percent while the federal and private reimbursement increases 7.3 percent. These increases are due to the increases in personal services described above. The canteen increases 15 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E	74.50	74.50	0.00
Personal Service	$1,371,286	$1,346,156	$ 25,130
Operating Expense	540,786	478,169	62,617
Total Expenditures	$1,912,072	$1,824,325	$ 87,747
Funding			
General Fund	$ 507,293	$ 441,339	$ 65,954
Canteen	20,764	15,338	5,426
Veterans Administration	566,113	527,606	38,507
Third Party Reimbursement	812,688	836,552	(23,864)
Interest and Income	5,214	3,490	1,724
Total Funds	$1,912,072	$1,824,325	$ 87,747

Personal services were underspent by $25,130 after budgeted vacancy savings of $54,884 and the Governor's cuts of $7,445. These savings were achieved by vacancies in the physical therapist, stock clerk, maintenance supervisor, maintenance worker III, and food service worker positions.

Operating expense savings were realized in utilities and goods purchased for resale and offset by overexpenditures of all other expense categories except travel, which had savings of $319. The major savings, $75,149, were in utilities as a result of installing new boilers in the chapel and the superintendent's residence, which allowed the main boilers to be shut down permanently. Goods purchased for resale in the members' canteen was $5,426 less than authorized. Fiscal 1986 was the first year of operation for the member canteen, therefore, operations did not meet expectations. Supplies and materials were overexpended $8,766 as a result of the higher than anticipated cost of prescription drugs and medical supplies including disposable briefs. These costs were offset by lower food costs.

The general fund had savings of $65,954 after the Governor's cuts of $10,353. Federal veterans' administration funds were expended to the limit of available revenues, which were $38,507 less than anticipated. Third party expenditures exceeded anticipated revenues by $23,864. However, actual revenues were adequate to cover the expenditures. Therefore the agency made a program adjustmemt decreasing the general fund by $25,116 to $482,177 and increasing private revenue authority by $25,116 to $837,804.

Current Level Adjustments

Personal services are increased approximately $27,000 each year of the biennium as a result of the nurse aide upgrades and are offset by the deletion of the 0.5 FTE physical therapist and the downgrade of the vacant maintenance worker III position for combined savings of $15,500 each year. The remaining personal service increase results from the increase in employee benefits caused by workers' compensation rate increases.

Operating costs were increased $4,800 for changes in insurance and payroll processing fees as required by other state agencies. The one-time expenditures of $24,995 for the new boilers were reduced from the base. Natural gas was increased $9,857 based on an adjusted three year average since the agency does not have a full year of experience with the new boilers. The remaining increase in operating expense is due to inflation and other minor changes, which amount to less than one percent.

The general fund increases 12.1 percent as a result of the increases in personal services and overall increases in excess of the growth in other revenues. The federal veterans' administration funds increase to $546,606 each year based on an average daily population of 63 nursing care members at $17.05 per day and 58 domiciliary members at $7.30 per day. Private and third party funds average 46 percent of total costs and are included in the current level at 46 percent of the total costs. The canteen is included at the same level as was appropriated in the 1987 biennium. The Veterans' Home also has a small income from land they lease, which is included at $3,000 each year.

MONTANA STATE HOSPITAL
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	721.50	$39,384,165	$42,843,387
LFA Current Level	697.60	38,312,098	41,974,024
Executive Over (Under) LFA	23.90	$ 1,072,067	$ 869,363

The executive budget has 23.9 FTE and $1,072,067 general fund over LFA current level. The executive budget is $869,363 over LFA current level in total. The major differences between the executive budget and LFA current level are discussed in the following five issues.

ISSUE 1: FORENSIC PROGRAM MODIFIED REQUEST

The executive budget includes a modified request to add 29.90 FTE to staff the new forensic unit scheduled to open in January 1988. The costs included in the executive budget total $1,040,090 of general fund. LFA current level does not include this modified.

ISSUE 2: AUDIT COSTS

The executive budget includes $29,400 for audit costs while LFA current level consolidates institutional audit costs in the Department of Institutions Central Office.

ISSUE 3: ALCOHOL EARMARKED FUNDING

The executive budget includes $1,595,609 revenue per year from the state special alcohol earmarked fund which is $190,833 less for the biennium than LFA current level.

ISSUE 4: PERSONAL SERVICES

The executive budget deletes 6.0 FTE that remain in LFA current level at a cost of approximately $190,294 for the biennium.

ISSUE 5: VACANCY SAVINGS

The executive budget applies a vacancy savings factor of 4 percent amounting to $1,473,837 for the biennium compared with LFA current level vacancy savings of $1,416,943. This difference amounts to $56,394 more savings in the executive budget before adding the modified positions.

MONTANA STATE HOSPITAL

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	701.20	701.20	697.60	697.60	3.60
Personal Service	$16,344,286	$16,471,847	$17,856,788	$17,765,005	3.5
Operating Expense	2,923,741	3,088,376	3,094,395	3,200,336	4.7
Equipment	55,214	74,786	32,500	25,000	(55.8)
Total Expenditures	$19,323,241	$19,635,009	$20,983,683	$20,990,341	7.7
Fund Sources					
General Fund	$17,596,945	$17,916,298	$19,156,088	$19,156,010	7.9
State Special	1,720,310	1,713,608	1,816,850	1,823,586	6.0
Federal Revenue	5,986	5,103	10,745	10,745	93.8
Total Funds	$19,323,241	$19,635,009	$20,983,683	$20,990,341	7.7

ISSUES:	- - - - - - Fiscal 1988 - - - - - General Fund	Other Funds	- - - - - - Fiscal 1989 - - - - - General Fund	Other Funds
1. Store Manager	($24,999)	$24,999	($24,869)	$24,869

Montana State Hospital provides evaluation and psychiatric treatment on the Warm Springs campus for adults who are mentally ill. Inpatient alcohol and drug treatment programs are offered at the Galen campuses as well as acute and intermediate care medical services for the mentally ill.

The Warm Springs campus had an average daily population of 301 during fiscal 1986 while the Galen campus served an average daily population of 89 acute and intermediate care patients, 63 alcohol patients, and 11 drug patients.

Personal services increase 3.5 percent from the 1987 biennium to the 1989 biennium. This increase, $2,805,660, is the result of two major factors: first, the institution, in addition to the $649,846 of vacancy savings budgeted for fiscal 1986, reduced personal services $307,920 for the Governor's 2 percent cuts and realized $61,651 vacancy savings for a total of $1,019,327 or 5.9 percent; and second, workers compensation rates increase 12 percent per year, which increases overall benefit rates, not including insurance, from just over 20 percent to 27 percent in the 1989 biennium. Table 1 compares the fiscal 1986 actual and fiscal 1987 authorized to the 1989 biennium current level personal services budget.

Table 1
Comparison of Current Level Personal Services Budget to the 1987 Biennium

	SBAS FY 1986	Appropriated FY 1987	FY 1988	FY 1989	Biennium $ Change	Biennium % Change
Salaries	$12,238,671	$13,467,192	$13,209,230	$13,158,816	$ 662,183	2.58
Longevity	139,311	172,123	166,990	185,447	41,003	13.17
Benefits	2,586,050	2,784,141	3,733,124	3,642,210	2,005,143	37.34
Insurance	863,008	966,350	977,868	977,868	126,378	6.91
Sub-total	$15,827,040	$17,389,806	$18,087,212	$17,964,341	$2,834,707	8.53
Overtime	$ 199,344	$ 240,643	$ 199,279	$ 199,279	$ (41,429)	(9.42)
Differential	38,544	41,093	36,016	36,016	(7,605)	(9.55)
Holidays Worked	279,356	271,286	245,698	270,895	(34,049)	(6.18)
Sub-total	$ 517,244	$ 553,022	$ 480,993	$ 506,190	$ (83,083)	(7.76)
Add: FY86 Vacancy Savings	$ 711,497	$ -0-	$ -0-	$ -0-	$ 711,497	---
Add: Mandatory Cuts	307,920	-0-	-0-	-0-	307,920	---
Total	$17,363,701	$17,942,828	$18,568,205	$18,470,531	$1,732,207	4.91
Vacancy Savings	$ 649,843	$ 649,846	$ 711,417	705,526	117,754	9.02
Adjusted Total	$16,713,858	$17,292,982	$17,856,788	$17,765,005	$1,614,453	4.75
Total Vacancy Savings	1,019,415	1,470,981	711,417	705,526	(1,073,453)	(43.10)
Main Table Totals	$16,344,286	$16,471,847	$17,856,788	$17,765,005	$2,805,660	8.55

As shown in the table, the major percentage increase in the personal services is in benefits, which increase 37 percent into the 1989 biennium. Insurance increases because of vacancy savings in fiscal 1986 and the additional $10 per month per eligible FTE paid in the 1989 biennium. The $10 per FTE increase for insurance went into effect in fiscal 1987. However, the method for calculating the total insurance benefits did not account for those positions less than a full FTE who also receive full insurance benefits. The current method of calculating insurance accounts for partial FTE's eligible for full benefits. Salary increases alone only amount to 2.6 percent, almost all of which is attributable to vacancy savings achieved in fiscal 1986.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	701.20	701.20	0.00
Personal Service	$16,405,937	$16,344,286	$ 61,651
Operating Expense	3,031,699	2,921,925	109,774
Equipment	110,500	54,819	55,681
Total Expenditures	$19,548,136	$19,321,030	$227,106
Funding			
General Fund	$17,819,365	$17,596,945	$222,420
State Special	1,723,668	1,720,310	3,358
Federal Revenue	5,103	3,775	1,328
Total Funds	$19,548,136	$19,321,030	$227,106
Budget Additions			
Budget Amendments	$ 3,238	$ 2,211	$ 1,027
Program Transfer	(17,449)	-0-	(17,449)
Total Additions	$ (14,211)	$ 2,211	$ 16,422)

The personal services savings of $61,651 in fiscal 1986 result even after the Governor's 2 percent cuts primarily from vacant physician and psychiatrist positions. These vacancies account for nearly $300,000 of the budgeted vacancy savings while other vacancies account for the balance.

The operating savings of $109,774 occurred in contracted services of $72,076, supplies and materials of $28,226, utilities of $36,903 and communications of $33,269, and were offset by excess costs in repairs and maintenance of $58,494. Other variances amount to less than 1 percent. Contracted service savings result from incomplete billing of the biennial audit of $20,000, fewer than anticipated outside medical services saving $24,000, computer processing savings of $15,000 by using the department's new computer instead of the state's mainframe, board and room savings of $10,000, and other miscellaneous savings of $3,000.

The hospital was given a biennial appropriation of $130,000 to purchase equipment. The authorized amount was based on the agency's request for a radiographic fluoroscopic unit costing $88,331, a garbage truck costing $38,000, and other miscellaneous items of $3,669. The hospital spent $41,395 of their biennial appropriation and made $19,500 in reductions for the Governor's 2 percent cuts; however, neither the radiographic fluoroscopic unit or the garbage truck have been purchased.

Overall, the hospital saved $603,886 of general fund. The Governor's 2 percent cut amounted to $364,017. Therefore, the hospital saved an additional $239,869

beyond the Governor's cuts. The department director used the transfer authority in House Bill 500 to transfer $17,449 to Eastmont at fiscal year end.

LIGHTHOUSE DRUG PROGRAM
LFA CURRENT LEVEL FOR THE 1989 BIENNIUM

Budget Item	Current Level Fiscal 1988	Current Level Fiscal 1989
F.T.E.	7.75	7.75
Personal Service	$200,642	$199,468
Operating Expense	19,251	19,855
Total Expenditures	$219,893	$219,323
Fund Sources		
General Fund	$219,893	$219,323

The Drug Program (Lighthouse), located on the Galen campus, provides treatment to individuals who are drug dependent. The program serves males and females over the age of 18. Lighthouse has a capacity for 15 clients at any one time. However, the program has served an average daily population of 11 over the past 5 years. The program has changed from a six month program to a ninety day program, while most other inpatient drug treatment programs in the state are 28 day programs.

Current Level Adjustments

Operating costs have been increased $523 for insurance as quoted by the Department of Administration's Tort Claims Division.

CANTEEN
LFA CURRENT LEVEL FOR THE 1989 BIENNIUM

Budget Item	Current Level Fiscal 1988	Current Level Fiscal 1989
F.T.E.	1.00	1.00
Personal Service	$ 24,999	$ 24,869
Operating Expense	112,193	112,192
Total Expenditures	$137,192	$137,061
Fund Sources		
General Fund	$ 24,999	$ 24,869
State Special	112,193	112,192
Total Funds	$137,192	$137,061

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Store Manager	($24,999)	$24,999	($24,869)	$24,869

The Canteen provides a snack bar where patients can purchase sandwiches, pop, candy, cigarettes, and certain personal items. The canteen is self-sufficient with the exception of the store manager position, which is general funded.

Current Level Adjustments

Operating costs have been increased $206 in fiscal 1988 and $201 in fiscal 1989 for payroll service fees charged by the State Auditor's Office.

The Canteen is funded with general fund of about $25,000 each year of the biennium, which supports the canteen manager position, and by canteen state special revenue funds amounting to $112,193 in fiscal 1988 and $112,192 in fiscal 1989.

ISSUE 1: STORE MANAGER POSITION.

The 1985 legislature funded the canteen store manager position with general fund because the canteen did not have sufficient revenue at the time to maintain operations without general fund support. However, current revenue projections indicate that the store manager position could be supported with revenues generated by the canteen's operation. The following table presents the estimated revenues and expenditures for the canteen through fiscal 1989.

Table 3
RESERVES AND EXPENDITURES
MONTANA STATE HOSPITAL CANTEEN
Fiscal 1984 - 1989

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
Beginning Balance	($ 15,508)	($ 2,174)	$ 46,413	$ 49,644	$ 57,644	$ 45,452
Revenues						
1. Sales Revenue	$118,152	$127,711	$125,422	$125,000	$125,000	$125,000
2. PY Adjustments	839	29,616	2,048	-0-	-0-	-0
Total Funds	$118,991	$157,327	$127,470	$125,000	$125,000	$125,000
Disbursements						
1. Operating Costs	$105,414	$108,400	$116,924	$117,000	$112,193	$112,192
2. PY Exp. Adj.	243	139	7,315	-0-	-0-	-0-
3. Store Mgr. Pos.	-0-	-0-	-0-	-0-	24,999	24,869
Total Dis.	$105,657	$108,539	$124,239	$117,000	$137,192	$137,061
Adjustments	-0-	($201)	-0-	-0-	-0-	-0-
Ending Balance	$ (2,174)	$ 46,413	$ 49,644	$ 57,644	$ 45,452	$ 33,391

Option A: Fund the canteen's store manager position with canteen revenue saving the general fund $49,868 in the 1989 biennium.

Option B: Continue to fund the canteen's store manager position with general fund.

ALCOHOL PROGRAM
LFA CURRENT LEVEL FOR THE 1989 BIENNIUM

Budget Item	Current Level - Fiscal 1988	Current Level - Fiscal 1989
F.T.E.	20.50	20.50
Personal Service	$574,699	$573,816
Operating Expense	253,498	262,140
Total Expenditures	$828,197	$835,956
Fund Sources		
General Fund	$142,193	$141,008
State Special	686,004	694,948
Total Funds	$828,197	$835,956

The Alcohol Program, on the Galen campus, provides a 28-day intensive alcoholic treatment program. The program serves alcoholics over the age of 18, with the largest group served 31 to 44 year olds. The program served an average daily population of 63 during fiscal 1986.

The program uses the general hospital at Galen for detoxification of the alcoholic patients. The general hospital had an average daily population of 24 alcoholic patients in fiscal 1986.

Current Level Adjustments

The current level budget does not include the allocated personal service costs of other hospital programs. The allocated costs remain in the programs where the costs are incurred. The personal service costs in this program include half of the director's salary while the other half is in the Lighthouse Drug Program. The direct FTE costs in this program include six general fund positions. The general fund positions are: 3 FTE licensed practical nurse III's, 2 FTE rehabilitation aide II's, and 1 FTE nurse aide I.

Operating costs are increased $3,913 for insurance based on quotes from the Department of Administration's Tort Claims Division. Payroll service fees are included at $4,144 in fiscal 1988 and $4,012 in fiscal 1989 based on quotes from the State Auditor's office. One-time repair expenditures of $6,131 were reduced from current level to reflect prior year's expenditures and the fiscal 1986 authorized level.

Funding for this program is provided from the general fund for the 6 positions mentioned above, and from the alcohol earmarked revenue.

ADMINISTRATION
LFA CURRENT LEVEL FOR THE 1989 BIENNIUM

Budget Item	Current Level Fiscal 1988	Current Level Fiscal 1989
F.T.E.	35.10	35.10
Personal Service	$ 897,593	$ 896,053
Operating Expense	206,956	207,862
Equipment	32,500	25,000
Total Expenditures	$1,137,049	$1,128,915
Fund Sources		
General Fund	$1,074,869	$1,069,090
State Special	62,180	59,825
Total Funds	$1,137,049	$1,128,915

This program includes the functions of payroll, personnel, accounting, purchasing, mail processing, telephone switchboard, and the chief executive officer. This program performs the consolidated functions for both Galen and the Warm Springs campuses.

Current Level Adjustments

The vacant 1.0 FTE Deputy Superintendent position is deleted for a savings of $33,075 in fiscal 1988 and $37,967 in fiscal 1989.

Operating costs are decreased $3,209 for legal fees which the central office should provide, and $3,211 for legislative audit costs expended in fiscal 1986. The audit costs are included in the central office budget for the 1989 biennium. Telephone equipment maintenance charges of $11,231 in fiscal 1988 and $11,804 in fiscal 1989 are included based on quotes from the Department of Administration's Telecommunications Division. Current level equipment includes replacement ward furniture at $25,000 each year of the biennium and $7,500 in fiscal 1988 for a whirlpool bathtub with lift for the care of geriatric patients.

Funding for this program is provided by the general fund and state special alcohol earmarked revenue and private donations. The general fund provides the largest share of the funding at $1,074,369 in fiscal 1988 and $1,069,090 in fiscal 1989. Alcohol earmarked funds are included at $45,180 in fiscal 1988 and $42,825 in fiscal 1989 while donations are included at $17,000 each year.

SUPPORT
LFA CURRENT LEVEL FOR THE 1989 BIENNIUM

Budget Item	Current Level Fiscal 1988	Current Level Fiscal 1989
F.T.E.	193.50	193.50
Personal Service	$4,558,811	$4,529,739
Operating Expense	2,042,951	2,108,685
Total Expenditures	$6,601,762	$6,638,424
Fund Sources		
General Fund	$6,313,641	$6,348,769
State Special	277,376	278,910
Federal Revenue	10,745	10,745
Total Funds	$6,601,762	$6,638,424

This program includes all the support services for both campuses. These services include food service, laundry, housekeeping, groundskeeping, maintenance, the warehouse, barber and cosmetology services, and the crafts (carpenters, plumbers, and electricians).

Current Level Adjustments

Operating costs are increased $96,130 for insurance fees based on quoted charges from the Department of Administration's Tort Claims Division. Repair and maintenance costs have been reduced $35,000 to the fiscal 1986 authorized level.

Funding is provided primarily from the general fund at over $6.3 million each year of the biennium, while alcohol earmarked funds are included at $277,376 in fiscal 1988 and $278,910 in fiscal 1989. Federal school lunch funds of $5,500 each year for residents between the age of 18 and 21 are included as well as $5,245 of income from the rental of Galen property.

TREATMENT
LFA CURRENT LEVEL FOR THE 1989 BIENNIUM

Budget Item	Current Level Fiscal 1988	Current Level Fiscal 1989
F.T.E.	114.35	114.35
Personal Service	$3,858,695	$3,834,395
Operating Expenditures	459,546	489,601
Total Expenditures	$4,318,241	$4,323,996
Fund Sources		
General Fund	$4,002,691	$4,008,191
State Special	315,550	315,805
Total Funds	$4,318,241	$4,323,996

The Treatment Program includes the medical, educational, and professional staff who provide the various treatment services at Montana State Hospital. Services provided are psychological, medical, dental, pharmacy, laboratory, x-ray, occupational and recreation therapy, medical records, social services, and education. Funding for this program in fiscal 1986 was primarily general fund with a small amount of ECIA Chapter I and II funds that were added by budget amendment.

Current Level Adjustments

Personal services have been decreased $67,566 in fiscal 1988 and $67,185 in fiscal 1987 after deleting 2.60 FTE vacant positions. The positions deleted are: a 0.60 FTE electroencephalograph technician, a 1.00 FTE administrative officer, and a 1.00 FTE respiratory therapist.

Operating expenses were reduced to the fiscal 1986 authorized level by reductions in travel costs of $6,000 and repairs and maintenance of $1,446. Funding for this program is provided by the general fund and alcohol earmarked revenues.

DIRECT CARE
LFA CURRENT LEVEL FOR THE 1989 BIENNIUM

Budget Item	Current Level - Fiscal 1988	Current Level - Fiscal 1989
F.T.E.	325.40	325.40
Personal Service	$7,741,204	$7,706,533
Fund Sources		
General Fund	$7,376,712	$7,343,686
State Special	364,492	362,847
Total Funds	$7,741,204	$7,706,533

This program consists of the direct care staff serving the seven treatment units of the Warm Springs campus and the acute and intermediate care units at the Galen campus. Direct care staff is comprised of psychiatric (registered) nurses, licensed practical nurses, nurse aides, psychiatric aides, and special duty aides.

Current Level Adjustments

Overtime and differential pay plus the corresponding benefits are included at the fiscal 1986 level of $125,079 and $16,716 respectively. Holidays worked is included at $223,892 in fiscal 1988 and $245,639 in fiscal 1989 which is the fiscal 1986 rate adjusted for fiscal 1988 and 1989 actual holidays of 10 and 11 respectively. Funding for this program is provided by the general fund and alcohol earmarked revenue.

BOARD OF PARDONS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	4.00	$307,736	$307,736
LFA Current Level	4.00	316,392	316,392
Executive Over (Under) LFA	0.00	$ (8,656)	$ (8,656)

The executive budget is $8,656 under the LFA current level general fund. The differences between the executive budget and LFA current level are discussed in the issues that follow.

ISSUE 1: VACANCY SAVINGS

The executive budget applies a 4 percent vacancy savings factor for a $8,630 savings over the biennium. The LFA current level does not apply vacancy savings to this program.

ISSUE 2: BOARD PER DIEM

The executive budget includes $16,676 per year for approximately 333 hearing and reading days compared with the LFA current level per diem of $19,800 for 396 hearing and reading days. The executive per diem is $6,248 under the LFA current level.

ISSUE 3: AUDIT COSTS

The executive budget includes $2,352 for audit costs, which are included in the Department of Institutions Central Office in the LFA current level.

ISSUE 4: COMMUNICATIONS

The executive increased the Board of Pardons communications budget $2,400 per year. These increases are not included in the LFA current level.

BOARD OF PARDONS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	4.00	4.00	4.00	4.00	0.00
Personal Service	$129,313	$123,042	$127,695	$127,654	1.2
Operating Expense	29,255	36,800	30,500	30,543	(7.6)
Equipment	1,493	-0-	-0-	-0-	(100.0)
Total Operating Costs	$160,061	$159,842	$158,195	$158,197	(1.1)
Non-Operating Costs	563	-0-	-0-	-0-	(100.0)
Total Expenditures	$160,624	$159,842	$158,195	$158,197	(1.3)
Fund Sources					
General Fund	$160,624	$159,842	$158,195	$158,197	(1.3)

The Board of Pardons oversees Montana's inmate parole and furlough programs. The board also reviews requests for executive clemency and makes recommendations to the Governor concerning those requests.

The board consists of three members and an auxiliary member who are appointed by the Governor. At least one member is required to have particular knowledge of Indian culture and problems. Members are compensated $50 for each day that board duties are actually and necessarily performed. In addition, board members are compensated for actual travel expenses incurred while performing board duties.

The board has four full-time employees, located in Deer Lodge, who perform support and administrative duties for the board.

Personal services increase only 1.2 percent due to turnover of positions which now cost $5,000 less than the fiscal 1986 level. Operating costs decrease 7.6 percent from the 1987 biennium to the 1989 biennium. This reduction occurs mostly in travel where three out-of-state trips are budgeted rather than five. The general fund remains about the same as the 1987 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	4.00	4.00	0.00
Personal Service	$126,681	$129,313	$(2,632)
Operating Expense	39,570	29,255	10,315
Equipment	-0-	1,493	(1,493)
Subtotal	$166,251	$160,061	$ 6,190
Non-Operating Expenses	$ -0-	$ 563	$ (563)
Total Exp. and Gen. Fund	$166,251	$160,624	$ 5,627

The $5,350 personal services savings resulting from the absence of two board members for most of the year was offset by termination costs in excess of $7,000.

The operating savings of $10,315 occurred primarily as a result of less travel ($7,990) than anticipated, both in-state and out-of-state. The reduced travel occurred because one board member was ill much of the year and another member took a five month leave of absence to teach out-of-state. The balance of the savings occurred in consultant and professional services. The board spent $1,493 on office equipment for which it was not budgeted.

Current Level Adjustments

Board per diem is included at $19,800 to provide 396 hearing and reading days per year at $50 per day per board member. This compares with a budget for 435 days for each year in the 1987 biennium. The board actually was paid for 328 days in fiscal 1986. As mentioned above, two board members were absent for extended periods during fiscal 1986 causing the decrease in hearing and reading days. Operating costs are increased approximately $1,200 each year to adjust in-state travel to a three year average since the board had both board absences as well as employee turnover in fiscal 1986. The biennial audit fees of $2,352 as quoted by the Office of the Legislative Auditor have been included in the central office budget.

EDUCATION

BOARD OF PUBLIC EDUCATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	2.00	$205,007	$205,007
LFA Current Level	2.00	210,883	210,883
Executive Over (Under) LFA	0.00	$ (5,876)	$ (5,876)

The following issues discuss the major differences between the executive and LFA current level budgets.

ISSUE 1: VACANCY SAVINGS

The executive has applied a 4 percent vacancy savings factor to LFA current level personal services. LFA current level does not apply a vacancy savings factor due to the small number of employees. The vacancy savings taken totals $5,079 over the biennium. In addition, the executive includes $4,020 less in salaries over the biennium than does LFA current level, which funds the positions at the requested salary level.

ISSUE 2: PER DIEM EXPENSES

The executive has included travel of $6,074 and per diem expenses of approximately $11,000 for the Board of Public Education over the biennium more than is included in LFA current level.

ISSUE 3: NASBE DUES

LFA current level includes $14,110 over the biennium in dues to the National Association of State Boards of Education. The executive includes no funding for this purpose.

BOARD OF PUBLIC EDUCATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Service	$ 65,323	$67,094	$ 68,117	$ 68,007	2.8
Operating Expense	37,932	35,227	38,564	36,195	2.2
Equipment	2,420	-0-	-0-	-0-	(100.0)
Total Expenditures	$105,675	$102,321	$106,681	$104,202	1.4
Fund Sources					
General Fund	$105,675	$102,321	$106,681	$104,202	1.4

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Budget Analyst				
Option A: Request	$35,468	$ -0-	$32,496	$ -0-
Option B: FY 1988 Only	32,468	-0-	-0-	-0-

The Board of Public Education is responsible for exercising general supervision over the public school system and is the statutorially designated governing board of the Montana School for the Deaf and Blind and the Montana Fire Services Training School. The board consists of seven members appointed by the Governor and confirmed by the senate.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	2.00	2.00	0.00
Personal Service	$ 68,142	$ 65,323	$2,819
Operating Expense	37,206	37,932	(726)
Equipment	2,500	2,420	80
Total Exp. and Gen. Fund	$107,848	$105,675	$2,173
Supplemental	$ 7,525	$ -0-	$7,525

The supplemental funds of $7,525 were added in fiscal 1986 for expenses associated with the Foundation and Bartlemess lawsuits. The difference in personal services was caused by the vacancy of the administrative assistant position for a portion of the fiscal year.

Current Level Adjustments

Audit fees of $2,400 were added in fiscal 1988. There were no audit expenses in fiscal 1986. Legal fees were reduced by $2,982, as it is anticipated one of the two lawsuits currently pending against the board will be settled. Secretarial service costs were reduced by $1,425, as the expense was incurred during a temporary staff shortage. Dues to the National Association of State Boards of Education were increased by $2,635 to $7,055.

Board members are entitled to per diem compensation of $50 per day when attending board meetings. Per diem expenses of $2,262 have been added to the fiscal 1986 level of $3,338 to allow each of the seven members the full per diem, assuming eight two-day meetings each year.

ISSUE 1: BUDGET ANALYST POSITION

Section 20-2-115, MCA, states that the Board of Public Education may not proceed with rulemaking on any proposal with a substantial fiscal impact without legislative approval. The Superintendent of Public Instruction is required to prepare a suggested fiscal note, while the board must determine a final fiscal note. The board is requesting the addition of a budget analyst III position in the 1989 biennium at a total personal services cost of $31,776 in fiscal 1988 and $31,804 in fiscal 1989, and other costs of $3,692 in fiscal 1988, including $3,000 in equipment, and $692 in fiscal 1989.

The board has stated they have put off three major decisions due to its inability to prepare a fiscal impact statement: 1) an overhaul of accreditation standards, 2)

gifted and talented program regulations, and 3) guidance counselor regulations. However, it is unknown how many proposals in the future will require fiscal impact statements, or whether the services of a full-time staff person would be required. The board has not conducted a study to determine the cost or feasibility of contracting for this service on an as-needed basis.

Option A: Provide funding for 1.0 FTE budget analyst III position at a total general fund cost of $35,468 in fiscal 1988, including $3,000 in equipment purchases, and $32,496 in fiscal 1989.

Option B: Provide funding for 1.0 FTE budget analyst III position in fiscal 1988 only for those proposals of substantial fiscal impact currently pending, at a general fund cost of $32,468.

Option C: Require the board to determine the feasibility of hiring on a contract basis as needed.

FIRE SERVICES TRAINING SCHOOL
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Biennium Total Funds
Executive Budget	5.00	$400,009	$428,009
LFA Current Level	5.00	398,654	426,654
Executive Over (Under) LFA	0.00	$ 1,355	$ 1,355

The executive budget is $1,355 higher than the LFA current level. This $1,355 is the net difference in personal services, operating expenses, and equipment.

ISSUE 1: PERSONAL SERVICES

Personal services are $13,070 less in the executive budget than in LFA current level. The executive budget has 4 percent vacancy savings applied while current level does not.

ISSUE 2: OPERATING EXPENSE

The executive provides for $15,925 more in operating expenses than current level for the 1989 biennium. The executive budget has higher operating expenses in: (1) Contract services - $10,522; (2) communications - $1,799; (3) travel - $6,686; and, (4) training - $800. The executive budget has $3,718 less supplies and materials and $164 less repair and maintenance than the LFA current level.

ISSUE 3: EQUIPMENT

The executive budget provides $1,500 less for equipment than the LFA current level.

FIRE SERVICES TRAINING SCHOOL

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	6.00	6.00	5.00	5.00	(1.00)
Personal Service	$183,293	$170,019	$162,571	$162,964	(7.9)
Operating Expense	53,215	53,758	50,643	48,476	(7.3)
Equipment	5,553	4,000	-0	2,000	(79.1)
Total Expenditures	$242,061	$227,777	$213,214	$213,440	(9.2)
Fund Sources					
General Fund	$227,941	$213,777	$199,214	$199,440	(9.7)
Federal Revenue	12,500	2,000	2,000	2,000	(72.4)
Proprietary Funds	1,620	12,000	12,000	12,000	76.2
Total Funds	$242,061	$227,777	$213,214	$213,440	(9.2)

The Fire Services Training School, located in the Great Falls Vocational Technical Center, is supervised by the Board of Public Education. The purpose of the school is to provide support and training for the state's fire services. The school also provides some public education programs to promote fire safety and prevention.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 1 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature. As indicated in Table 1, the Fire Services Training School did not utilize $4,086 of their fiscal 1986 appropriation. The overexpenditure in personal services resulted from paying one position at grade 15 rather than grade 14. This position has received authorized pay protection at grade 15. The underexpenditure in operating expenses was spread across the budget items, and the savings were used to fund the extra expenditures in personal services and equipment. The overexpended amount in equipment represents costs for computer equipment exceeding budgeted amounts.

A federal Academy Planning Assistance Grant of $12,000 was utilized in fiscal 1986 to prepare a five year state plan for fire training and education. A Title IV grant for $2,000 to update resource center materials was awarded and $500 was spent. Proprietary funds of $2,037 were accumulated, and $1,620 of the fund was expended.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	6.00	6.00	0.00
Personal Service	$178,055	$183,293	$(5,238)
Operating Expense	63,486	53,215	10,271
Equipment	4,606	5,553	(947)
Total Expenditures	$246,147	$242,061	$ 4,086
Funding			
General Fund	$229,147	$227,941	$ 1,206
Federal Revenue	14,000	12,500	1,500
Proprietary Funds	3,000	1,620	1,380
Total Funds	$246,147	$242,061	$ 4,086

Current Level Adjustments

Personal service expenditures decrease by 7.9 percent from the 1987 to the 1989 biennium. The decrease results from the elimination of a fire services instructor I position based in Miles City. All Fire Service Training School personnel are now stationed in Great Falls.

Operating expenses decrease by 7.3 percent. The reduction includes removing the expenditures from the non-renewable federal planning grant. Increases within operating expenses include the addition of audit fees of $2,400 in fiscal 1988. Liability insurance increases by $177, maintenance by $475, and postage meter by $234. In-state travel was increased by $1,675 due to the elimination of the fire services instructor position stationed in eastern Montana.

Three personal computers were purchased in the 1987 biennium. The equipment budget for fiscal 1989 allows for the purchase of computer and video components to enhance present equipment. Equipment costs decrease by 79.1 percent for the 1989 biennium. All budget items decrease in the 1989 biennium, resulting in an overall decrease of 9.2 percent.

Funding

In Special Session III the legislature increased the Fire Services Training School proprietary fund by $9,000 to a total of $12,000. The intent was that the school would charge fees for the use of materials and audiovisuals provided through the resource library. The current level budget provides for $12,000 in proprietary fund revenue annually, as in the previous biennium. Of that amount, $3,000 is budgeted as goods for resale, and the remainder reduces general fund expenditures for operating expenses.

SCHOOL FOR THE DEAF AND BLIND
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	85.63	$5,065,905	$5,859,488
LFA Current Level	85.63	4,878,875	5,695,171
Executive Over (Under) LFA	0.00	$ 187,030	$ 164,317

The executive budget is over the LFA current level by $187,030 in general fund and $164,317 in total funds. There are differences in eight expenditure areas and differences in two funding sources. Table A shows the differences in the expenditures. Each issue is discussed in the narrative following the table.

Table A
Executive Budget Over (Under) LFA Current Level

Issue	Fiscal 1988	Fiscal 1989	Biennium Total
1. Personal Services	$36,962	$36,930	$ 73,892
2. Supplies Reduction	4,646	4,646	9,292
3. Purchase of Text Books	9,750	9,750	19,500
4. Postage Decrease	2,355	2,355	4,710
5. Contracted Services - Addition in the Executive Budget	3,100	-0-	3,100
6. Audiology Program:			
Audiology Contracts	15,461	15,461	30,922
Director's Salary	(2,040)	(2,108)	(4,148)
Operating Expense	(3,234)	(3,234)	(6,468)
7. Travel Expenses to Transport Children	11,198	11,198	22,396
8. Equipment	6,350	3,250	9,600
9. Miscellaneous Differences			1,608
Total Differences			$164,317

ISSUE 1: PERSONAL SERVICES

In LFA current level, there were five aggregate positions in which the budgeted salaries were adjusted to actual expenditure levels for fiscal 1986 and adjusted to fiscal 1987. Two of these were in the Education Program and three in the Student Services Program. These adjustments were not included in the executive budget.

ISSUE 2: SUPPLIES REDUCTION

The executive budget does not include two reductions made in the LFA current level. A reduction of $2,410 was made to janitorial supplies and $2,236 to educational supplies because both exceeded the appropriated levels for fiscal 1986.

ISSUE 3: PURCHASE OF TEXTBOOKS

The school requested $19,500 to purchase new textbooks in fiscal 1988. The executive budget included this request at $9,750 each fiscal year. The LFA current level did not include this request because the $18,108 fiscal 1986 expenditure level was $8,000 more than the school spent in fiscal 1985 and $10,000 more than was in the school's fiscal 1986 budget, which indicated that additional books were purchased in fiscal 1986.

ISSUE 4: POSTAGE DECREASE

Postage expense for the Education Program was $4,835 in fiscal 1986. This level was approximately $4,000 higher than fiscal 1985 and the actual expenditures fiscal 1986 budget, so LFA current level reduced the cost to $2,500. This reduction was not included in the executive budget.

ISSUE 5: CONTRACTED SERVICES ADDITION IN THE EXECUTIVE BUDGET

The executive budget increased contracted services by $3,100 in the Education Program. This was above the request of the school and was not included in LFA current level.

ISSUE 6: AUDIOLOGY PROGRAM

LFA current level based the audiology contract budget on fiscal 1987 actual contract costs of $450,612 while the executive budget used $466,074, which made the executive budget higher by $15,461 each fiscal year.

Operating costs for the program were included in the LFA current level at $3,534 compared to the executive operating cost at $299 making the executive budget $3,235 lower than the LFA current level in this area each year of the biennium.

The director's salary was included in the LFA current level at $27,000 per year. In the executive budget, it was $25,192 for fiscal 1988 and $25,096 for fiscal 1989. LFA current level used $27,000 because this is the salary being paid to the director in fiscal 1987.

ISSUE 7: TRANSPORTION OF SCHOOL CHILDREN TO AND FROM SCHOOL

The executive budget includes $11,198 each fiscal year as additional costs to transport children to and from school. The school has contracted in the past with a private bus line to transport the children but this service is no longer available, so

the school will have to use public transit. This was not included in the LFA current level because it was not presented in the budget request.

ISSUE 8: EQUIPMENT PURCHASES

The equipment budget is higher in the executive budget than the LFA current level by $6,350 in fiscal 1988 and $3,250 in fiscal 1989. LFA current level does not include the refrigerator, tractor, clark vacuum, teleception machines, televisions, communication devices, and food processor that are in the executive budget.

ISSUE 9: SCHOOL FOOD REVENUES

School foods revenues are included in the LFA current level at $35,000 per year in the Student Services Program. This is based on an average of the last three fiscal years. The executive budget includes $30,000 per year which reflects the school's budget request.

ISSUE 10: CHAPTER I FUNDS

Chapter I funds are included in the LFA current level at $168,870 in fiscal 1988 and $168,426 in fiscal 1989. This compares to $163,112 in fiscal 1986. The executive budget assumes a $3,100 and $24,019 shortfall in these funds for fiscal years 1988 and 1989, respectively, and therefore has shown these as a modified and funded the costs with general fund.

SCHOOL FOR THE DEAF AND BLIND

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	86.82	107.82	85.63	85.63	(22.19)
Personal Service	$1,916,671	$2,375,069	$1,948,759	$1,948,931	(9.2)
Operating Expense	1,084,971	610,993	882,078	878,703	3.8
Equipment	51,269	51,517	29,201	7,500	(64.3)
Total Expenditures	$3,052,911	$3,037,579	$2,860,037	$2,835,134	(6.5)
Fund Sources					
General Fund	$2,639,482	$2,576,424	$2,451,667	$2,427,208	(6.5)
Federal Revenue	413,429	461,155	408,370	407,926	(6.7)
Total Funds	$3,052,911	$3,037,579	$2,860,037	$2,835,134	(6.5)

Montana State School for the Deaf and Blind is a school for children whose hearing and/or vision is so significantly impaired that they are unable to receive an education in the public schools. Approximately 357 children, ranging in age from infancy to 18, are served by the school. Of these, approximately two-thirds are serviced by the school's Outreach and Itinerant Program. This program serves hearing impaired and visually impaired children in their local community and through local schools. The remaining one-third are served from the Great Falls campus. Seventy-five to 80 students reside on campus during the school year.

The Montana School for the Deaf and Blind has the following programs: (1) Administration; (2) General Services; (3) Student Services; (4) Education; and (5) Audiological Services. Funding support for the school is provided from the general fund, interest income from school trust lands, federal Chapter I funds available under the Education Consolidation Improvement Act of 1981, federal school food funds and proceeds from athletic events. The school also receives donated funds which are used for student activities such as field trips and parties. The school spent $67,940 of donated funds in fiscal 1986. These funds are administered by a non-profit foundation created by the Board of Public Education and are not appropriated by the legislature.

The school's budget decreases approximately 6.5 percent because of the reduction in the Audiology Program during Special Session III, the elimination of three vacant teacher positions, and the net reduction of five aggregate positions that were over budgeted. The general fund decrease of 6.5 percent reflects these reductions.

ADMINISTRATION PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	5.25	5.25	5.00	5.00	(0.25)
Personal Service	$137,409	$138,154	$135,609	$135,516	(1.6)
Operating Expense	46,832	53,657	61,041	44,322	4.9
Total Expenditures	$184,241	$191,811	$196,650	$179,838	(0.1)
Fund Sources					
General Fund	$184,241	$191,811	$196,650	$179,838	(0.1)

The Administration Program is responsible for the centralized administrative functions of the school, including accounting, budgeting, personnel, and purchasing. The Administration Program is funded by general fund and employs 5.00 FTE.

As shown in the table, staffing reflects a decrease of 0.25 FTE, which is an administrative clerk position that was transferred to the Student Services Program and reclassified as a cottage life attendant. Operating expenses increase due to the insurance cost increase of $1,246 each year and inflation.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	5.25	5.25	0.00
Personal Service	$137,384	$137,409	$ (25)
Operating Expense	56,554	46,832	9,722
Total Exp. and General Fund	$193,938	$184,241	$9,697

As shown in Table 1, the expenditures in the Administration Program were $9,697 less than the appropriation. This difference is almost entirely in the operating expenditures and results from the audit appropriation being underspent by $13,781. This is offset by the insurance costs of $6,704 being paid from this program, but budgeted in the General Services Program for the 1987 biennium. Communications and

supplies were underexpended by $1,796 and $774 respectively. Since the audit costs are line itemed in the general appropriations bill, the remaining $13,781 could not be utilized for operating expenditures, so the school transferred $12,298 to the Administration Program from the General Services Program.

Current Level Adjustments

Current level provides funding for the 5.0 FTE in administration with a 4 percent vacancy savings applied. With the exception of adding the audit costs in fiscal 1988 and the increased insurance costs, operating expenses are based on fiscal 1986 actual expenditures with inflation applied where applicable.

GENERAL SERVICES PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	6.50	6.50	4.00	4.00	(2.50)
Personal Service	$118,436	$121,443	$ 91,014	$ 91,542	(23.9)
Operating Expense	150,913	196,230	157,710	167,995	(6.2)
Equipment	3,510	-0-	-0-	-0-	100.0
Total Expenditures	$272,859	$317,673	$248,724	$259,537	(13.9)
Fund Sources					
General Fund	$272,859	$317,673	$248,724	$259,537	(13.9)

The General Services Program is responsible for the maintenance and operation of the school's facilities and grounds.

The table shows a 2.5 FTE reduction in the program. This is comprised of a 0.75 FTE groundskeeper position and 1.75 FTE custodial worker positions that were transferred to the Student Services Program and reclassified to cottage life attendants. This accounts for the 23.9 percent decrease in personal services. Operating expenditures are based on fiscal 1986 actual expenditures and decrease approximately 6.2 percent primarily because of a utilities cost decrease, insurance being budgeted in this program in the 1989 biennium but paid in the Administration Program, and less expenditure in repairs than anticipated in the appropriation.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	6.50	6.50	0.00
Personal Service	$121,204	$118,436	$ 2,768
Operating Expense	188,461	150,913	37,548
Equipment	3,500	3,510	(10)
Total Exp. and General Fund	$313,165	$272,859	$40,306

Table 2 shows that personal services were under expended by $2,758, which results from one of the custodial worker positions being vacant part of the year. Operating expenses were $37,548 under the budget. This savings is comprised of utilities being under budget by $17,560, insurance budgeted at $7,316 not being paid from this program, actual repair costs being under budget by $7,178 and other contracted services being $6,315 less than budgeted. Equipment purchases were a meat slicer at $700, microwave oven at $229, shelving at $122, tractor blade and lawn sweeper at $1,579, corkboards at $290, and two lawn mowers for $590. The budget was for two vacuum cleaners which the school did not purchase.

Current Level Adjustments

Current level provides funding for 4.0 FTE with a 4 percent vacancy savings applied for fiscal 1988 and 1989. Operating expenses reflect fiscal 1986 expenditures with a reduction of $2,000 in janitorial supplies which was reduced to the fiscal 1985 plus inflation level. The school requested $19,160 in excess of natural gas costs for fiscal 1986, stating that 1986 was a warmer than usual year. This increase was not included because of unpredictability of weather and because, in checking with the Public Service Commission, the Great Falls Gas Company has had a 34 cents per MCF or a 7.8 percent price reduction over the last year; therefore, no extra costs (other than inflation) were added to the utility budget.

STUDENT SERVICES PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	27.47	27.47	31.95	31.95	4.48
Personal Service	$526,660	$523,586	$576,045	$575,578	9.7
Operating Expense	99,040	122,701	100,866	103,819	(7.7)
Equipment	16,851	1,710	1,400	1,000	(87.1)
Total Expenditures	$642,551	$647,997	$678,311	$680,397	5.3
Fund Sources					
General Fund	$612,551	$617,997	$643,311	$645,397	4.7
Federal Revenue	30,000	30,000	35,000	35,000	6.7
Total Funds	$642,551	$647,997	$678,311	$680,397	5.3

The Student Services Program is responsible for the care and custody of the children residing on the Great Falls campus. The activities include meal preparation, infirmary care, and dorm supervision. General fund and federal school food funds support the program. Federal school food funds are estimated at $35,000 in each year of the 1989 biennium.

The table reflects the transfer of 4.48 FTE positions: a 0.25 FTE administrative clerk position from the Administration Program, a 0.75 FTE groundskeeper position, 1.75 FTE custodial worker positions from the General Services Program, and 1.73 FTE teacher positions from the Education Program. All the FTE were reclassified to cottage life attendant positions. Operating expenses were based on actual fiscal 1986 actual expenditures.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	27.47	27.47	0.00
Personal Service	$523,385	$526,660	$ (3,275)
Operating Expense	119,153	99,040	20,113
Equipment	3,445	16,851	(13,406)
Total Expenditures	$645,983	$642,551	$ 3,432
Funding			
General Funds	$615,983	$612,551	$ 3,432
Federal Funds	30,000	30,000	-0-
Total Funds	$645,983	$642,551	$ 3,432

Table 3 shows personal services were overexpended by $3,275. This is the net difference in the cost of funding 2.73 positions transferred to this program without funding and overbudgeting two aggregate positions. Operating expenditures were underexpended by $20,113 primarily in two areas, travel of $12,958 and supplies of $9,837. All other expenditure categories had a net overexpenditure of $2,682. Equipment was overexpended because the school purchased a van at the end of the fiscal 1986 for which they were not budgeted.

Current Level Adjustments

The current level is adjusted in personal services for two aggregate positions. The house parent aggregate position was presented in the budget request as 3.92 FTE with a total salary of $58,346 which translates to an annual salary of $14,884 per FTE. Actual salaries paid in this position, as shown on the Position Control Report for fiscal 1986, calculate to an annual salary of $11,130 or a difference of $3,754 per FTE. A similar calculation for an aggregate cottage life attendant position showed an annual salary difference of $621 per FTE for 17.46 FTE aggregate position. The combined reduction for these two positions was approximately $28,515 per fiscal year including benefits.

Operating expenditures were reduced approximately $2,700 for van rental expenses. This reduction was based on the school's purchase of a new van and not needing to rent a van in the 1989 biennium.

Equipment includes three dishwashers at a cost of $1,200 and two vacuum cleaners also at $1,200.

EDUCATION PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	47.60	47.60	43.68	43.68	(3.92)
Personal Service	$1,134,166	$1,234,448	$1,114,874	$1,115,011	(5.9)
Operating Expense	116,612	114,046	108,315	108,421	(6.0)
Equipment	30,908	29,807	10,700	6,500	(71.7)
Total Expenditures	$1,281,686	$1,378,301	$1,233,889	$1,229,932	(7.4)
Fund Sources					
General Fund	$ 898,257	$ 947,146	$ 860,519	$ 857,006	(6.9)
Federal Revenue	383,429	431,155	373,370	372,926	(8.4)
Total Funds	$1,281,686	$1,378,301	$1,233,889	$1,229,932	(7.4)

The Education Program is responsible for providing an education to the school's resident children. In addition, the outreach and itinerant services are included in this program. Funding is provided from the general fund, interest and income from school trust lands, and federal Chapter I funds. Income from school lands is estimated at $200,000 in fiscal 1988 and 1989. Federal Chapter I funding is estimated at $168,870 in fiscal 1988 and $168,426 in fiscal 1989. Funding also includes $1,500 each year from Chapter II funds and $3,000 each year for athletic event revenues.

The above table shows 43.68 positions with a reduction of 3.92 FTE from fiscal 1987. This 3.92 FTE is made up of the transfer of 1.73 FTE to the Student Services Program and the deletion of three 0.73 FTE vacant teacher positions resulting in a 5.9 percent decrease in personal services. Operating expenses are based on fiscal 1986 base expenditures with reductions made in consulting services, education, supplies, and postage. The general fund reduction of 6.9 percent reflects the reduction in the program.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	47.60	47.60	0.00
Personal Service	$1,233,937	$1,134,166	$ 99,771
Operating Expense	115,956	114,862	1,094
Equipment	47,242	30,908	16,334
Total Expenditures	$1,397,135	$1,279,936	$117,199
Funding			
General Fund	$ 940,911	$ 898,257	$ 42,654
Federal Revenue	456,224	381,679	74,545
Total Funds	$1,397,135	$1,279,936	$117,199
Additions			
Budget Amendment Chapter II	$ 1,750	$ 1,750	$ -0-

This table shows that personal services were underexpended by $99,771. This under expenditure results from two teacher positions being vacant almost all year, not transferring the dollars with the 1.73 FTE positions transferred to the Student Services Program, and from having two aggregate positions budgeted over the actual cost. Operating expenses were under budget by $1,094. This was the net difference of over expenditures of $5,190 in supplies, $2,899 in repairs, and $4,138 in communications, and under expenditures of $3,275 in contracted services and $9,244 in travel. Other categories have a net underexpenditure of $802.

The equipment purchased was phonic ear equipment at $30,000, a paper cutter at $254, a projector at $379, and two portable lockers at $275. This left an unexpended balance of $16,334.

Current Level Adjustments

Current level was reduced by three 0.73 FTE teacher positions. These three positions are vacant positions. Two were vacant all of fiscal 1986 and to date in fiscal 1987. The other position was a classroom and shop teacher position that became vacant in August. The responsibilities of this position were transferred to other teacher positions and the school plans on holding this position open through fiscal 1987. Other personal service adjustments were in three aggregate positions whose budgeted salaries were compared to actual salaries paid in fiscal 1986 and adjusted to the fiscal 1986 level. Two were decreased and one increased for a net decrease of $8,447.

Current level operating expenses were reduced in educational supplies and postage, both being reduced to levels consistent with fiscal 1985 and appropriated

levels. Other reductions were $2,025 in contracted services to reflect a reduction in Chapter I funding. The school had requested $19,500 additional funds to purchase books in fiscal 1988, but the analysis showed the base expenditures of $18,108 in fiscal 1986 to be $8,000 more than was spent in fiscal 1985 and almost $10,000 over the amount budgeted for fiscal 1986. The base expenditure of $18,108 was left in the budget and this should be sufficient to purchase additional books.

The equipment budget includes washers and dryers at $4,300, two copy machines at $8,000 and $3,000 respectively and typewriters at $1,900.

AUDIOLOGICAL SERVICES PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	0.00	21.00	1.00	1.00	(20.00)
Personal Service	$ -0-	$357,438	$ 31,216	$ 31,284	(82.5)
Operating Expense	671,574	124,359	454,146	454,146	14.1
Equipment	-0-	20,000	17,101	-0-	(14.5)
Total Expenditures	$671,574	$501,797	$502,463	$485,430	(15.8)
Fund Sources					
General Fund	$671,574	$501,797	$502,463	$485,430	(15.8)

The Audiological Services Program provides statewide services for all students in grades K, 1, 4, and 9. The 1985 legislature provided a biennial general fund appropriation of $1,346,000 for this program which was allocated at $673,000 each year of the biennium. In Special Session III, the appropriation for fiscal 1987 was reduced to $500,000 as a part of the overall budget reductions. This $500,000 was intended for the school to hire 21.0 FTE and to provide the services rather than contract with private providers as has been done in the past. Prior to the beginning of the 1986-87 school year, the Board of Education and the School for the Deaf and Blind determined it was not feasible for the school to hire the staff to provide the audiology services so they again contracted for these services. The board also decided they would assume the administration of the program so they hired an administrator to work out of their Helena office to coordinate and oversee the program.

Current Level Adjustments

The current level budget provides for the funding of the administrator position at $27,000 plus benefits and approximately $3,534 in operating expenses as was requested in the budget. The contracted services are continued at the fiscal 1987 level of $450,612 per year. Equipment of $17,101 is provided in fiscal 1988 to purchase audiometers.

OFFICE OF PUBLIC INSTRUCTION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	129.60	$4,425,848	$10,534,871
LFA Current Level	125.85	4,503,437	10,375,819
Executive Over (Under) LFA	3.75	$ (77,589)	$ 159,052

The difference between the executive and LFA current level represents 1.5 percent of total funding. The following is a discussion of the major differences between the executive and current level budgets.

ISSUE 1: FTE REDUCTIONS

Several factors contribute to the difference in FTE between the executive and LFA current level: 1) LFA current level deletes 2.0 FTE positions in the Film Library as the positions are vacant and the library will not be self-sufficient in the 1989 biennium if the positions are funded; 2) LFA current level deletes 0.5 FTE of the Indian education specialist position, as the FTE will be 0.5 supported by federal funds in the Special Services Program. A vacant position in that program has been retained in LFA current level for that purpose; 3) LFA current level deletes 1.0 FTE program specialist in Vocational Education, as the position has been vacant since the beginning of fiscal 1986; 4) LFA current level deletes 0.2 FTE aggregate secretarial position in the Vocational Education Program, as the position had not been used all of fiscal 1986; 5) LFA current level deletes 1.05 FTE aggregate clerical positions in Administrative Services, as the FTE were not used during the entire fiscal 1986; and, 6) the executive deletes the assistant superintendent position in the Basic Skills Program, as the position is currently vacant and a proposed reorganization would delete the FTE.

ISSUE 2: VOCATIONAL EDUCATION: TOTAL GENERAL FUND

The Governor includes $77,923 more general fund over the biennium than does LFA current level in the Vocational Education Program. LFA current level does not match $48,000 in sex equity expenses of the program with general fund, as the state is not required to match these federal funds. The executive funds these expenses with 50 percent general fund, resulting in a total of $48,000 additional general fund over the biennium. The remainder of the difference in general fund is due to the deletion in LFA current level of the 1.2 FTE retained by the executive.

ISSUE 3: ADMINISTRATIVE SERVICES: INDIRECT COST TRANSFERS

The executive did not allocate any Chapter II funds for transfer to the indirect cost pool, yet used an estimate of indirect cost revenues which included $104,000 of these funds. This in effect results in spending the same funds twice. As a result general fund is reduced in the executive budget.

ISSUE 4: SPECIAL SERVICES: GENERAL FUND ADDITIONS

LFA current level includes $55,174 more general fund over the biennium than does the executive in the Special Services Program. Current level maintains funding of several positions with general fund within the program in keeping with fiscal 1986 funding practice, while the executive incorporates general fund within the program to the extent that anticipated federal funds do not meet total budgeted expenditures, and does not fund any particular positions with general fund.

OFFICE OF PUBLIC INSTRUCTION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	134.10	134.10	125.85	125.85	(8.25)
Personal Service	$3,525,844	$3,587,270	$3,558,490	$3,557,676	---
Operating Expense	1,366,851	1,544,183	1,251,597	1,212,696	(15.3)
Equipment	134,321	60,075	27,000	27,000	(72.2)
Total Operating Costs	$5,027,016	$5,191,528	$4,837,087	$4,797,372	(5.7)
Non-Operating Costs	388,366	443,739	370,807	370,553	(10.9)
Total Expenditures	$5,415,382	$5,635,267	$5,207,894	$5,167,925	(6.1)
Fund Sources					
General Fund	$2,441,257	$2,400,975	$2,266,782	$2,236,655	(7.0)
State Special	678,902	762,697	667,950	667,947	(7.3)
Federal and Other	$2,295,223	$2,471,595	$2,273,162	$2,263,323	(4.8)
Total Funds	$5,415,382	$5,635,267	$5,207,894	$5,167,925	(6.1)

The Office of Public Instruction (OPI) provides general supervision of the public primary and secondary schools and postsecondary vocational technical centers in Montana. OPI administers federal and state regulations applicable to the school districts, provides technical and curriculum assistance, monitors federal programs and expenditures, provides state leadership to school districts, and disburses state funds to school districts. The Superintendent of Public Instruction is an elected official and serves a four-year term.

The office is composed of five programs: Chief State School Officer, Basic Skills, Vocational Education, Administrative Services, and Special Services.

CHIEF STATE SCHOOL OFFICER

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	3.00	2.00	3.00	3.00	1.00
Personal Service	$ 91,051	$ 75,235	$ 92,039	$ 91,875	10.6
Operating Expense	62,127	60,532	51,836	43,368	(22.4)
Equipment	538	-0-	-0-	-0-	(100.0)
Total Expenditure	$153,716	$135,767	$143,875	$135,243	(3.6)
Fund Sources					
General Fund	$128,190	$116,696	$122,307	$122,175	(.2)
Proprietary	25,526	19,071	21,568	13,068	(22.3)
Total Funds	$153,716	$135,767	$143,875	$135,243	(3.6)

Chief State School Officer consists of the Superintendent of Public Instruction and support staff, and of revenues and expenditures associated with the sale of school publications.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 1 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	2.00	3.00	(1.00)
Personal Service	$ 74,046	$ 91,051	$(17,005)
Operating Expense	69,272	62,127	7,145
Equipment	-0-	538	(538)
Total Expenditures	$143,318	$153,716	$(10,398)
Funding			
General Fund	$114,216	$128,190	$(13,974)
State Special	29,102	25,526	3,576
Total Funds	$143,318	$153,716	$(10,398)

One FTE secretary and $16,308 in general fund was transferred to this program from Vocational Education, allowing the overexpenditure of personal services and general fund. Within operating expenses, travel expenditures were $8,517 less than anticipated.

Current Level Adjustments

The current deputy superintendent was paid from this program when under contract. That contract amount, totaling $6,000, was removed from current level. One time consulting expenses totaling $6,412 were also deleted from current level.

Every two years, the Office of Public Instruction prints law publications, which are then sold to school districts. In fiscal 1988, $8,500 was added for printing and sale. Other recurring printing expenses total $10,000 each year. Printing expenses totaled $15,625 in fiscal 1986.

Funding

Chief State School Officer is supported by two funding sources: general fund, which funds the Superintendent of Public Instruction and his support staff, and income from the sale of school publications.

BASIC SKILLS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	37.80	35.80	32.80	32.80	(3.00)
Personal Service	$ 934,457	$ 900,589	$ 886,649	$ 888,191	(3.3)
Operating Expense	312,558	299,541	251,143	251,858	(17.8)
Equipment	68,530	32,573	15,000	15,000	(70.3)
Total Operating Costs	$1,315,545	$1,232,703	$1,152,792	$1,155,049	(9.4)
Non-Operating Costs	19,222	34,802	34,413	34,413	27.4
Total Expenditures	$1,334,767	$1,267,505	$1,187,205	$1,189,462	(8.7)
Fund Sources					
General Fund	$ 939,533	$ 882,134	$ 852,787	$ 854,868	(6.3)
State Special	253,628	269,371	237,904	237,943	(9.0)
Federal and Other	141,606	116,000	96,514	96,651	(25.0)
Total Funds	$1,334,767	$1,267,505	$1,187,205	$1,189,462	(8.7)

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Teacher Certification	$(36,917)	$ -0-	$ -0-	$ -0-

Basic Skills provides services to school districts in the areas of basic skills instruction, teacher certification, audio-visual library materials, and traffic safety education.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 2 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Two FTE and $38,696 in general fund were transferred to this program from Vocational Education, resulting in the additional FTE and allowing the overexpenditure in personal services. The underexpenditure in operating expenses primarily occurred in contract services. Office equipment was overexpended by $12,701, while the program expended $20,821 in computer hardware and software not included by the 1985 legislature, resulting in the $37,638 equipment overexpenditure.

Table 2
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	35.80	37.80	(2.00)
Personal Service	$ 892,641	$ 934,457	$(41,816)
Operating Expense	320,238	258,074	62,164
Equipment	30,892	68,530	(37,638)
Total Operating Expenses	$1,243,771	$1,261,061	$(17,290)
Non-Operating Expenses	33,385	19,222	14,163
Total Expenditures	$1,277,156	$1,280,283	$ (3,127)
Funding			
General Fund	$ 907,842	$ 939,531	$(31,689)
State Special	265,074	253,628	11,446
Federal Revenue	104,240	87,124	17,116
Total Funds	$1,277,156	$1,280,283	$ (3,127)
Additions			
Budget Amendments	$ 130,234	$ 54,484	$ 75,750

Current Level Adjustments

The Basic Skills Program was broken down into several components for budgeting purposes in the 1989 biennium. The following table shows each component, FTE, general fund, and other funds in the 1989 biennium.

Table 3
Basic Skills - FTE and Funds

Area	FTE	Fiscal 1988 Gen Fund	Fiscal 1988 Other Funds	Fiscal 1988 Total	Fiscal 1989 Gen Fund	Fiscal 1989 Other Funds	Fiscal 1989 Total
Administration	9.13	$282,401	$ -0-	$ 282,401	$283,187	$ -0-	$ 283,187
Curriculum Consultants	14.00	481,723	-0-	481,723	482,312	-0-	482,312
Audio-Visual Library	5.00	50,535	145,125	195,660	51,241	145,125	196,366
Other Federal Grants	0.00	-0-	13,510	13,510	-0-	13,510	13,510
Traffic Safety Educ.	1.67	-0-	92,780	92,780	-0-	92,819	92,819
Veterans-Indian Educ.	3.00	38,128	62,751	100,879	38,128	62,808	100,936
Drivers' Education	0.00	-0-	20,252	20,252	-0-	20,332	20,332
Total	33.80	$852,787	$334,418	$1,187,205	$854,868	$334,594	$1,189,462

The following is a discussion of each component, current level, and funding.

ADMINISTRATION

Administration provides overall guidance and support for the Basic Skills Program.

An administrative clerk position was deleted at the department's request, reducing personal services by $17,015 in fiscal 1988 and $16,984 in fiscal 1989. A 1.0 FTE administrative position totaling $21,134 in fiscal 1988 and $21,135 in fiscal 1989 is transferred to this component from Indian Education. The position had been doing general administration work for the Basic Skills Program. A total of $7,272 in contract services, $553 in supplies, $4,886 in travel, and $150 in rent associated with test validation expenditures was deleted from current level. For a further discussion, see Issue 1.

Administration is entirely funded by general fund.

CURRICULUM CONSULTANTS

Curriculum Consultants provides support services in various educational disciplines to school districts and conducts accreditation reviews.

A 1.0 FTE education program representative and a 0.5 FTE administrative clerk were deleted from current level due to the five percent cuts and pay plan funding, reducing personal services by $49,481 in fiscal 1988 and $49,399 in fiscal 1989. The duties of the FTE will be undertaken by existing staff or eliminated.

Curriculum Consultants is entirely supported by general fund.

AUDIO-VISUAL LIBRARY

The Office of Public Instruction maintains a centralized film library for use by school districts, state agencies, and other interested groups. In fiscal 1985, 207

districts and other groups rented films and videotapes from the film library. Films are rented on a fee basis, totaling $6.50 on each film over ten minutes long and $3.50 on each film under ten minutes. Approximately 19,000 films were rented in fiscal 1986.

Due to a lack of income for the library to remain self-sufficient in the coming biennium, 2.0 FTE film library clerk positions vacant as of November 7, 1986 have been deleted from current level. One of the positions had been vacant all of fiscal 1986. The other has been vacant since the beginning of fiscal 1987. Indirect costs total $10,125 in fiscal years 1988 and 1989. No indirect costs were taken due to a lack of funds in fiscal 1986. Equipment, which is used primarily for films, totals $15,000 in fiscal 1988 and $15,000 in fiscal 1989.

The library is supported by user fees, which fund all operational costs of the library, and by general fund, which funds all film purchases. In the 1989 biennium, the library/media specialist of the Basic Skills Program, who is supported by general fund, will be included in this program. The following table shows actual fiscal 1986 expenditures and current level for fiscal years 1988 and 1989.

Table 4
Audio-Visual Library Fund
(Including Media Specialist)

Budget Item	Actual FY 1986	Current Level FY 1988	Current Level FY 1989
Personal Services	$ 97,839	$103,785	$103,940
Operating Expenses	66,160	66,750	67,301
Equipment	33,169	15,000	15,000
Total Operating Costs	$197,168	$185,535	$186,241
Non-Operating Costs	-0-	10,125	10,125
Total Costs	$197,168	$195,660	$196,366
Funding			
General Fund	$ 48,989	$ 50,535	$ 51,241
User Fees	148,179	145,125	145,125
Total	$197,168	$195,660	$196,366

As stated earlier, the film library would not be self-sufficient in the 1989 biennium if requested staff levels were maintained. The following table shows revenues and disbursements from the film library account since fiscal 1984.

Table 5
Film Library - Revenues and Disbursements
Fiscal 1984 - 1989

	FY 1984	FY 1985	FY 1986	FY 1987*	FY 1988	FY 1989
Beginning Balance	$ 36,432	$ 46,896	$ 40,476	$ 23,605	$ 23,605	$ 23,605
Revenues						
Film Rental	$128,338	$124,445	$119,836	$166,371	$145,125	$145,125
Equipment Rental	968	616	618	-0-	-0-	-0-
Duplication of Mats	223	3,660	10,270	-0-	-0-	-0-
Satellite Service	-0-	-0-	35	-0-	-0-	-0-
Sale of Catalogs	-0-	24	-0-	-0-	-0-	-0-
Total Revenues	$129,529	$128,745	$130,759	$166,371	$145,125	$145,125
Funds Available	$165,961	$175,641	$171,235	$189,976	$168,730	$168,730
Disbursements	119,049	135,387	148,177	166,371	145,125	145,125
Ending Balance	$ 46,896	$ 40,476	$ 23,605	$ 23,605	$ 23,605	$ 23,605

*Appropriated.

A fund balance was left in fiscal 1988 and 1989 in the event that fiscal 1987 follows recent trends and revenues are not equal to disbursements.

OTHER FEDERAL GRANTS

This component is a catch-all for any federal grants the program receives to carry out special projects, and for on-going Northwest Association and Mellon grants. Grants in fiscal 1986 included Mellon I and II grants, funds from the Northwest Association for accreditation review, math-science grants, and several other grants. Current level maintains Mellon, Northwest Association and chief state school office grants.

Current level totals $13,500 in fiscal 1988 and $13,510 in fiscal 1989.

TRAFFIC SAFETY EDUCATION

This program represents the state administrative expenses of distributing traffic education funds to school districts with approved traffic education courses.

No adjustments were made to current level, which totals $92,780 in fiscal 1988 and $92,819 in fiscal 1989. Indirect charges to administrative services total $16,102 in fiscal 1988 and $16,111 in fiscal 1989, compared to $13,135 in fiscal 1986.

Traffic Safety Education is entirely supported by earmarked revenues from fines and citations issued by the highway patrol and from motor vehicle license fees.

VETERANS' - INDIAN EDUCATION

This program provides educational support services to veterans and Native Americans.

The 1.0 FTE Indian education specialist has been partially reassigned, and will now be working 0.5 FTE in the Bilingual and National Origins Programs in Special Services. This position has subsequently been reduced by 0.5 FTE in this program.

Veterans' Education is funded with federal veterans' education administrative funds, which total $54,851 in fiscal 1988 and $54,908 in fiscal 1989.

Indian Education Funds

One of the duties of the Indian education specialist is to administer federal Johnson-O'Malley funds granted to the Fort Peck and Crow Indian reservations. The office currently administers approximately $350,000 in Johnson-O'Malley funds. The department previously had administered up to $1.5 million of these funds.

The following table shows funding of the Indian education specialist since fiscal 1984.

Table 6
Indian Education Specialist - Funding

Fund Source	FY 1984	FY 1985	FY 1986
General Fund	$ -0-	$ 6,628	$42,301
Johnson-O'Malley	29,124	23,057	1,754
Total	$29,124	$29,685	$44,055

The 1985 legislature gave the department $20,000 in Johnson-O'Malley authority in fiscal 1986 and 1987. However, as seen in the table, OPI funded the office with only $1,755 of Johnson-O'Malley funds. In addition, the department has requested only $4,000 in Johnson-O'Malley authority in fiscal 1988 and fiscal 1989.

According to the Bureau of Indian Affairs, there are no set standards or criteria as to how much of the funds could be claimed by OPI as administrative expenses, but that given a full-time specialist 5 percent, or $17,500 of the total amount administered, was "not unreasonable". Since 0.5 FTE of the Indian education specialist will be funded with federal funds in the 1989 biennium, current level assumes $10,000 in Johnson-O'Malley funds each year, of which $2,100 are indirect costs used to offset general fund in the Indirect Cost Pool.

DRIVERS' EDUCATION

This program provides federal funds to school districts for drivers' education programs. No change was made to current level, which totals $20,253 in fiscal 1988 and $20,253 in fiscal 1989. Drivers' Education is entirely federally funded.

ISSUE 1: TEACHER TESTING EXPENSES

The Office of Public Instruction was given a one-time appropriation of general fund totaling $50,500 in fiscal 1986 and $11,500 in fiscal 1987 to cover costs of proposed Board of Education rules to test teachers prior to certification and all school children in grades 3, 6, 8, and 10 for student achievement. The program was to be self-sufficient after the 1987 biennium. Therefore, all expenditures associated with the service should be removed from OPI's expenditure base in the 1989 biennium.

OPI can account for only $13,583 in expenditures for this service. As stated earlier, all traceable expenses were removed from the base. However, OPI can neither say how much of the appropriation was expended or where. Therefore, up to $36,917 in excess general fund authority is still within OPI's base for a program that was to be self-sufficient in this biennium.

Option A: Reduce OPI's expenditure base and general fund by up to $36,917. This option assumes the entire $50,500 was expended in fiscal 1986 and ensures that all one-time expenditures have been removed.

Option B: Require OPI to determine where the funds were expended and to what degree, and to explain why the funds were not segregated for later base reduction.

VOCATIONAL EDUCATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	17.15	19.15	15.95	15.95	(3.2)
Personal Service	$498,271	$530,384	$500,834	$500,431	(2.7)
Operating Expense	94,919	140,326	87,503	87,538	(25.6)
Equipment	22,776	2,400	8,000	8,000	(36.4)
Total Operating Costs	$615,966	$673,110	$596,337	$595,969	(7.5)
Non-Operating Costs	67,648	61,119	67,552	67,379	4.8
Total Expenditures	$683,614	$734,229	$663,889	$663,348	(6.4)
Fund Sources					
General Fund	$334,329	$386,132	$274,812	$275,467	(23.6)
Federal Revenue	349,285	348,097	389,077	387,881	11.4
Total Funds	$683,614	$734,229	$663,889	$663,348	(6.4)

The Vocational Education Program administers state and federal vocational education funds to school districts, postsecondary vocational-technical centers, and various other organizations. This program was broken down into three components for budgeting purposes in the 1989 biennium: Administration, Job Training Partnership Act (JTPA), and Adult Basic Education.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Two FTE, including 1.0 FTE education program representative and 1.0 FTE secretary, and expenses totaling $55,005 were transferred from Vocational Education to the Chief State School Officer and to the Basic Skills Programs, resulting in the decrease in FTE and causing the underexpenditure in personal services. The underexpenditure in operating expenses is due primarily to fewer expenditures in contract services than originally anticipated. Equipment was overexpended on computer equipment for the Administrative Services Program. For a discussion of the general fund difference, see the current level narrative of Vocational Education Administration.

Table 7
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	19.15	17.15	2.00
Personal Service	$561,702	$498,271	$ 63,431
Operating Expense	144,126	94,919	49,207
Equipment	1,470	22,776	(21,306)
Total Operating Expenses	$707,298	$615,966	$ 91,332
Non-Operating Expenses	62,930	67,648	(4,718)
Total Expenditures	$770,228	$683,614	$ 86,614
Funding			
General Fund	$409,983	$334,329	$ 75,654
Federal Revenue	360,245	349,285	10,960
Total Funds	$770,228	$683,614	$ 86,614

Current Level Adjustments and Funding

The following table shows FTE and funding in the 1989 biennium of the three components of Vocational Education.

Table 8
Vocational Education - FTE and Funding

Area	FTE	Fiscal 1988 Gen Fund	Fiscal 1988 Other Funds	Fiscal 1988 Total	Fiscal 1989 Gen Fund	Fiscal 1989 Other Funds	Fiscal 1989 Total
Administration	12.69	$246,916	$294,917	$541,833	$246,775	$294,775	$541,550
JTPA	1.00	-0-	41,160	41,160	-0-	41,106	41,106
Adult Basic Education	2.26	27,896	53,000	80,896	28,692	52,000	80,692
Total	15.95	$274,812	$389,077	$663,889	$275,467	$387,881	$663,348

ADMINISTRATION

Administration administers federal Carl Perkins Act vocational education funds to school districts, postsecondary vocational technical centers, and other organizations.

The Carl D. Perkins Vocational Education Act replaced the Vocational Education Act of 1963 in fiscal 1986. The department feared losses in administration funds from this replacement would jeopardize 4.0 FTE in the program. As a result, the 1985 legislature increased Vocational Education's general fund allocation by $64,381 in fiscal 1986 and $64,565 in fiscal 1987 to maintain 2.0 FTE education program representatives. However, the funds were not used for the purpose intended by the legislature.

1) The Administrative Services Program expended $31,872 of general fund in fiscal 1986 to fund: a) a portion of the current deputy superintendent's salary in his prior position in the department; b) the contract for the current deputy superintendent prior to his becoming an employee of the department; c) computer equipment totaling $16,268 and office equipment of $1,984; and d) other miscellaneous expenses. Although the funds were not expended in Vocational Education, they appear as expenses in that program. The funds were never transferred to Administrative Services, but the department is requesting that those expenditures be considered part of current level in Administrative Services.

2) As stated earlier, 2.0 FTE and $55,004 of general fund were transferred from this program to Basic Skills and the Chief State School Officer. A total of 1.0 FTE education program specialist was included in the transfer along with a secretary.

3) Within Vocational Education, a 1.0 FTE education program specialist was vacant the entire fiscal 1986 and was still vacant as of November 7, 1986.

Since the department had specifically requested general fund to maintain a position it did not fill, the vacant education program representative has been deleted from current level. In addition, the $31,872 in expenses coded to this program but actually expended in Administrative Services have been deleted from current level in that program.

Indirect charges total $55,351 in fiscal 1988 and $55,318 in fiscal 1989, compared with a fiscal 1986 total of $50,975. Equipment includes $8,000 each year to replace computer terminals.

Administration is funded by general fund and by Carl Perkins federal funds. The state is required to set aside $60,000 each year for sex equity purposes. With the exception of these funds, the state must match all Carl Perkins administrative funds 50/50.

JOB TRAINING PARTNERSHIP ACT

The Job Training Partnership Act (JTPA) provides administrative services, support and technical assistance to education entities statewide in concert with the federal Job Training Partnership Act.

Indirect charges total $6,954 in fiscal 1988 and $6,943 in fiscal 1989 compared with a fiscal 1986 total of $7,520.

Job Training Partnership Act is entirely funded with federal JTPA funds.

ADULT BASIC EDUCATION

Adult Basic Education (ABE) provides technical assistance and support to adult education activities statewide and administers the state allocation to ABE programs.

No adjustments were made to current level.

This program is funded with general fund and with federal Adult Education funds. Federal funds totaling $50,000 are available each year of the biennium with additional carryover funds of $3,000 in fiscal 1988 and $2,000 is fiscal 1989. The funds have a 10 percent matching requirement. The remainder of the program's funding needs are provided by general fund.

ADMINISTRATIVE SERVICES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	48.30	50.05	46.25	46.25	(3.8)
Personal Service	$1,253,745	$1,299,705	$1,291,305	$1,290,075	1.1
Operating Expense	572,697	636,250	530,674	499,390	(14.8)
Equipment	36,809	4,705	$4,000	$4,000	(80.7)
Total Operating Costs	$1,863,251	$1,940,660	$1,825,979	$1,793,465	(4.8)
Non-Operating Costs	106,327	120,953	102,131	102,131	(10.1)
Total Expenditures	$1,969,578	$2,061,613	$1,928,110	$1,895,596	(5.1)
Fund Sources					
General Fund	$ 908,126	$ 874,699	$ 885,388	$ 852,755	(2.5)
State Special	425,274	493,326	430,045	430,003	(6.4)
Federal Revenue	636,178	693,588	612,677	612,838	(7.8)
Total Funds	$1,969,578	$2,061,613	$1,928,110	$1,895,596	(5.1)

Administrative Services is responsible for accounting, budgeting, personnel, public information, program planning and evaluation, legal services, financial aid distribution, and school food services.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 9
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	50.05	48.30	1.75
Personal Service	$1,293,894	$1,244,479	$ 49,415
Operating Expense	627,019	502,433	124,586
Equipment	4,687	36,809	(32,122)
Total Operating Expenses	$1,925,600	$1,783,721	$141,879
Non-Operating Expenses	110,986	102,772	8,214
Total Expenditures	$2,036,586	$1,886,493	$150,093
Funding			
General Fund	$ 863,889	$ 842,710	$ 21,179
State Special	495,718	425,274	70,444
Federal Revenue	676,979	618,509	58,470
Total Funds	$2,036,586	$1,886,493	$150,093
Additions			
Budget Amendment	$ 34,710	$ 17,669	$ 17,041
Supplemental*	68,000	65,416	2,584
Total Additions	$ 102,710	$ 83,085	$ 19,625

*The supplemental was received for activities related to the foundation lawsuit.

The difference in FTE is due to the transfer of 0.25 FTE accounting technician to Job Training Partnership Act and 1.50 FTE to Basic Skills.

Operating expenses were underexpended primarily in contract services, repair and maintenance, and other expenses. Equipment was overexpended in purchasing computer equipment.

State special funds were underexpended due to: 1) fewer funds received as reimbursements from private schools for food services and fewer expenditures than anticipated to administer that function; 2) fewer indirects received than anticipated; and, 3) less reimbursements from school districts for computer searches than anticipated.

Current Level Adjustments and Funding

The following table shows FTE and funding in the 1989 biennium of the three components of Administrative Services.

Table 10
Administrative Services

		Fiscal 1988			Fiscal 1989		
Area	FTE	Gen Fund	Other Funds	Total	Gen Fund	Other Funds	Total
Administration	25.00	$652,155	$ 304,000	$ 956,155	$616,064	$ 304,000	$ 920,064
Indirect Cost Pool	11.75	165,956	401,045	567,001	169,414	401,003	570,417
School Foods	9.50	67,277	337,677	404,954	67,277	337,838	405,115
Total	46.25	$885,388	$1,042,722	$1,928,110	$852,755	$1,042,841	$1,895,596

ADMINISTRATION

Administration is responsible for overall administrative support services to the Office of Public Instruction.

A total of 1.05 FTE currently vacant that would be used for temporary help has been deleted from current level, as Administration did not use those services in fiscal 1986.

All expenses incurred against the general fund originally allocated to Vocational Education and which the Office of Public Instruction included in this budget have been deleted from current level, including $7,477 in operating expenses and $18,252 in equipment. Audit fees of $36,000 were added in fiscal 1988 only. Audit expenses totaled $21,842 in fiscal 1986. Indirect charges total $52,066 in fiscal 1988 and fiscal 1989, against a fiscal 1986 total of $51,891.

Foundation Lawsuit

The Office of Public Instruction received a supplemental totaling $68,000 in general fund in fiscal 1986, of which $65,416 was expended in fiscal 1986, including $6,141 in personal services and $59,275 in operating expenses. As the department does not know what expenses will be incurred in fiscal 1988 and beyond to defend against the lawsuit, those expenses have been removed from current level to allow for legislative review.

Administration is funded by general fund and by federal Chapter II administration funds, which are used to support the data processing function of the department.

INDIRECT COST POOL

The Indirect Cost Pool encompasses all payroll, personnel and accounting services, and office space expenses of the Office of Public Instruction.

Payroll service fees of $4,017 in fiscal 1988 and $3,918 have been added to current level. Payroll service fees totaled $2,799 in fiscal 1986. Gasoline expenses of $388 were eliminated at the department's request.

The Office of Public Instruction assesses all non-general fund sources an indirect rate negotiated with the federal government to fund this program. The balance of the expenses of this program not funded with the indirect assessments is funded with general fund. The following table shows anticipated indirect cost assessments against state and federal funding sources in the 1989 biennium, assuming the department's estimated restricted indirect rate of 21 percent and unrestricted rate of 23 percent. Actual fiscal 1986 indirect rates were 22.1 percent and 25.2 percent.

Table 11
Indirect Charges by Fund Source
1989 Biennium

	FY 1988	FY 1989
Basic Skills		
State Traffic	$ 16,103	$ 16,110
Audio - Visual Library	10,125	10,125
Math/Science	-0-	-0-
Drivers Safety	-0-	-0-
Veteran's Ed	6,086	6,086
Indian Education	2,100	2,100
Vo-Ed		
Basic Grant	$ 55,351	$ 55,318
ABE	-0-	-0-
JTPA	6,954	6,943
Admin Services		
Chapter II	$ 52,066	$ 52,066
Summer Foods	-0-	-0-
School Foods Admin.	45,124	45,124
Nutrition	4,941	4,941
Special Services		
Chapter II	$ 32,107	$ 32,107
EHA-B	65,447	65,447
Deaf/Blind	11,169	11,177
Desegration	14,104	14,101
Chapter I	53,368	53,358
Migrant	-0-	-0-
Diffusion, Bilingual, Origins	26,000	26,000
Total	$401,045	$401,003

SCHOOL FOODS

School Foods is responsible for administering all state and federal programs to reimburse school districts for their food costs.

Equipment includes $4,000 each year for computer equipment.

This program is funded by general fund and by federal funds for the administration of the National School Lunch Program, the Summer Food Service Program for Children, and for the Nutrition Education Program.

General fund totals $67,277 each year of the biennium and represents the state's required maintenance of effort level.

SPECIAL SERVICES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	27.85	27.10	27.85	27.85	0.75
Personal Service	$ 748,320	$ 781,357	$ 787,663	$ 787,103	2.9
Operating Expense	324,550	407,534	330,440	330,539	(9.7)
Equipment	5,668	20,397	-0-	-0-	(100.0)
Total Operating Costs	$1,078,538	$1,209,288	$1,118,103	$1,117,642	(2.3)
Non-Operating Costs	195,169	226,865	166,711	166,630	(21.0)
Total Expenditures	$1,273,707	$1,436,153	$1,284,814	$1,284,272	(5.2)
Fund Sources					
General Fund	$ 131,079	$ 141,314	$ 131,488	$ 131,389	(3.5)
Federal Revenue	1,142,628	1,294,839	1,153,326	1,152,883	(5.4)
Total Funds	$1,273,707	$1,436,153	$1,284,814	$1,284,272	(5.2)

Special Services is responsible for administering federal Chapter I, Chapter II and Special Education funds, as well as several smaller federal programs. The program is also responsible for administering the state's Gifted and Talented and Special Education programs.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 12
Comparison of the Appropriation to Actual Expenses Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	27.10	27.85	(0.75)
Personal Service	$ 788,964	$ 748,320	$ 40,644
Operating Expense	439,632	324,550	115,082
Equipment	20,396	5,668	14,728
Total Operating Expenses	$1,248,992	$1,078,538	$170,454
Non-Operating Expenses	238,365	195,169	43,196
Total Expenditures	$1,487,357	$1,273,707	$213,650
Funding			
General Fund	$ 133,999	$ 131,079	$ 2,920
Federal Revenue	1,353,358	1,142,628	210,730
Total Funds	$1,487,357	$1,273,707	$213,650

The difference in FTE is due to the transfer of 0.25 FTE accounting technician from Job Training Partnership Act and 0.50 FTE secretary from Veterans' Education.

Federal funds of $27,000 were transferred from Special Services to Vocational Education. The remainder of the difference between the actual and the appropriated is due to fewer contract services than originally anticipated.

The following is a discussion of each component of Special Services, current level adjustments and funding.

Current Level Adjustments and Funding

Special Services has been broken down into several components for budgeting purposes in the 1989 biennium. These components are: Administration, Special Education, EHA Title IV (Deaf and Blind), Sex Desegregation, Chapter I, Gifted and Talented, and Miscellaneous Federal. The following table shows FTE and funding in the 1989 biennium of the components of Special Services.

Table 13
Special Services

Area	FTE	Fiscal 1988 Gen Fund	Fiscal 1988 Other Funds	Fiscal 1988 Total	Fiscal 1989 Gen Fund	Fiscal 1989 Other Funds	Fiscal 1989 Total
Administration	6.05	$ 51,140	$ 148,589	$ 199,729	$ 51,055	$ 148,649	$ 199,704
Special Education	9.45	38,954	453,039	491,993	38,989	452,532	491,521
EHA Title IV	1.00	-0-	64,354	64,354	-0-	64,401	64,401
Sex Desegration	1.25	-0-	81,278	81,278	-0-	81,278	81,278
Chapter I	6.60	-0-	269,022	269,022	-0-	269,015	269,015
Gifted and Talented	1.00	41,394	-0-	41,394	41,345	-0-	41,345
Misc. Federal Funds	2.50	-0-	137,044	137,044	-0-	137,008	137,008
Total	27.85	$131,488	$1,153,326	$1,284,814	$131,389	$1,152,883	$1,284,272

ADMINISTRATION

Administration is responsible for overall support to the Special Services Program.

Indirect charges total $32,107 in fiscal years 1988 and 1989, compared with a fiscal 1986 level of $24,985.

General fund supports 60 percent of the 1.0 FTE assistant superintendent and 75 percent of a 1.0 FTE administrative secretary position and totals $51,140 in fiscal 1988 and $51,055 in fiscal 1989. The remainder of Administration is funded by federal Chapter II administration funds, which total $148,589 in fiscal 1988 and $148,649 in fiscal 1989.

SPECIAL EDUCATION

Special Education administers federal and state special education programs.

One-time computer support expenditures of $1,070 and engraving expenditures of $128 were removed from current level. Indirect charges total $65,447 annually in fiscal 1988 and fiscal 1989, compared with a fiscal 1986 total of $70,317.

Special Education is supported by federal EHA-B special education funds, with the exception of the personal services costs of the 1.0 FTE head of special education, who is supported by general fund. General fund totals $38,954 in fiscal 1988 and $38,989 in fiscal 1989. Federal EHA-B funds total $453,038 in fiscal 1988 and $452,532 in fiscal 1989.

EHA TITLE IV (DEAF AND BLIND)

This component administers all federal special education grants for deaf and blind students.

No adjustments were made to current level. EHA Title IV is entirely supported by federal funds.

SEX DESEGRATION

This component administers federal sex desegregation programs.

No adjustments were made to current level. Sex Desegregation is entirely supported with federal funds.

CHAPTER I

Chapter I is responsible for administration of the federal Chapter I grant.

No adjustments were made to current level. This component is entirely supported with federal Chapter I administration funds.

GIFTED AND TALENTED

Gifted and Talented administers state gifted and talented grants and provides support services to local gifted and talented programs.

No adjustments were made to current level. This program, which includes 1.0 FTE, is entirely funded by general fund.

MISCELLANEOUS FEDERAL GRANTS

This component includes all activities related to administration of Bilingual, National Origins, and National Diffusion Network grants.

No adjustments were made to current level. Miscellaneous Federal Grants is entirely supported with federal funds.

DISTRIBUTION TO PUBLIC SCHOOLS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

Program	Funding	Biennium Executive	LFA Current Level	Difference
Special Ed	General Fund	$54,723,292	$54,723,292	$ -0-
Special Ed Contingency	General Fund	800,000	800,000	-0-
Transportation	General Fund	11,562,000	12,401,836	(839,836)
School Lunch	General Fund	1,244,500	1,189,502	54,998
Secondary Vo-Ed	General Fund	800,000	900,000	(100,000)
Gifted and Talented	General Fund	190,000	190,000	-0-
Impact Aid	General Fund	10,000	10,000	-0-
Adult Basic Education	Coal Tax	312,516	295,046	17,470
Total		$69,642,308	$70,509,676	$(867,368)

ISSUE 1: TRANSPORTATION

LFA current level funds transportation costs to the statutory level of $6,200,918 each year of the biennium. The executive maintains the fiscal 1987 appropriation of $5,781,000 each year. Consequently, LFA current level exceeds the executive by $839,836 of general fund.

ISSUE 2: SCHOOL LUNCH

The executive maintains the fiscal 1987 appropriated level of $622,250 of general fund each year of the biennium. LFA current level is based upon the maintenance of effort requirement in fiscal 1988 and totals $594,751 each year.

ISSUE 3: SECONDARY VO-ED

LFA current level maintains the 1987 biennium total funding for this program of $900,000 in general fund in the 1989 biennium. The executive maintains funding each year at the fiscal 1987 appropriated level of $400,000 each year.

ISSUE 4: ADULT BASIC EDUCATION

The executive includes $156,258 in coal tax funds each year of the biennium from Adult Basic Education Programs, which represents an increase of 5.9 percent over the fiscal 1986 level. LFA current level maintains the appropriation at the fiscal 1986 level of $147,523 each year of the biennium.

DISTRIBUTION TO PUBLIC SCHOOLS

The following table summarizes actual fiscal 1986 and current level fiscal 1988 and 1989 distributions to schools.

Table 1
Distribution to Schools

Program	Actual Fiscal 1986	Current Level Fiscal 1988	Current Level Fiscal 1989
Special Education	$27,450,020	$27,361,646	$27,361,646
Special Ed. Contingency	392,443	400,000	400,000
Transportation	6,048,428	6,200,918	6,200,918
School Lunch	626,910	594,751	594,751
Gifted & Talented	97,475	95,000	95,000
Secondary Vo-Ed	500,000	450,000	450,000
Adult Basic Education	147,523	147,523	147,523
Impact Aid	5,000	5,000	5,000
Total	$35,267,799	$35,254,838	$35,254,838

Special Education

Federal and state laws direct school districts to provide a free and appropriate public education program for all handicapped children. Special education provides this education for children with a variety of handicapping conditions.

Current level includes funds to maintain the fiscal 1987 per child expenses of the program, and totals $27,361,646 in fiscal 1988 and fiscal 1989.

The following table shows total special education expenditures and the number of children enrolled in special education classes since fiscal 1982. The number of students is as of December 1 of each year. Fiscal 1987 expenditures are the appropriation. Fiscal 1988 and 1989 expenditures are current level.

Table 2
Special Education - Students and Expenditures

Fiscal Year	Number of Students	Expenditures	Expenditures Per Student	Percent Change
1982	13,906	$23,245,210	$1,672	---
1983	14,871	25,347,864	1,705	2.0
1984	15,132	26,197,563	1,731	1.5
1985	15,377	27,248,933	1,772	2.4
1986	14,859	27,450,020	1,847	4.2
1987	15,000*	27,361,646	1,824	(1.2)
1988	15,000*	27,361,646	1,824	---
1989	15,000*	27,361,646	1,824	---

*OPI estimates.

Special Education Contingency

Special education contingency funds are granted to meet unexpected needs in district special education budgets, and are awarded by The Office of Public Instruction as needed. The legislature awarded $500,000 each year until fiscal 1986, when the appropriation was reduced to $400,000. The following table shows actual contingency expenditures since fiscal 1980, appropriated fiscal 1987, and current level fiscal years 1988 and 1989.

Table 3
Special Education Contingency Funds

Fiscal Year	Amount Expended
1980	$481,795
1981	500,000
1982	456,840
1983	397,994
1984	410,826
1985	427,278
1986	392,443
1987	400,000
1988	400,000
1989	400,000

Transportation

School districts providing students transportation from home to school in excess of three miles are entitled to a statutory reimbursement based upon a rate per mile and upon bus size and occupancy. The state's share of this reimbursement totals

one-third of the statutory rate. The state's share for special education students equals two-thirds of the statutory rate.

Payments to school districts did not meet the statutory reimbursement rate in fiscal 1986, as shown in the following table. The difference between the requirement and actual payments was borne by the local school districts. The figures in the table were provided by the Office of Public Instruction.

Table 4
Transportation Payments vs. Statutory Requirement

	Fiscal 1986
Statutory Requirement	$6,200,918
Actual Payments	6,048,428
Difference	$ 152,490

Current level includes the full state reimbursement schedule obligations, totaling $6,200,918 in fiscal 1988 and fiscal 1989. The following table illustrates the current level reimbursement schedule.

Table 5
Current Level Reimbursement - Transportation
1989 Biennium

	Fiscal 1988	Fiscal 1989
Bus Rates Per Mile	$.80 + $.02 for each seat over 45	$.80 + .02 for each seat over 45
Individual Rates Per Mile	$.20	$.20

School Foods

School Foods provides for the maintenance of effort required on federal school food reimbursements. Each state must expend up to 30 percent of the federal contribution in the 1980-81 school year. Allowances are given to those states whose average income is below the national average. Montana's matching rate is expected to total approximately 23.74 percent, or $594,751 each year of the biennium.

Gifted and Talented

The Gifted and Talented Program was initiated in fiscal 1982 to provide funds to local school districts to begin or maintain programs for gifted and talented students. In fiscal 1986, 42 schools received funding averaging $2,321 each. This program took a five percent cut in fiscal 1987. Current level maintains the program at the fiscal 1987 adjusted level of $95,000 each year of the biennium.

Secondary Vocational Education

The Office of Public Instruction provides funds to school districts in excess of foundation program funds and district levies to fund "excess" costs associated with secondary vocational education programs. "Excess" costs are those additional costs associated with vocational education not associated with other programs, such as additional equipment and full year teaching contracts. Funds are distributed based on the number of students enrolled, a weight factor for the type of program, and the availability of funds.

This program was cut 2 percent, or $20,000 in fiscal 1986 and by an additional $80,000 in Special Session III, leaving a total allocation of $900,000 over the biennium. Current level maintains this level in the 1989 biennium. For a further discussion, see Issue 1.

Adult Basic Education

Adult Basic Education provides high school level education to persons who wish to receive their high school equivalency degree. Funds are provided from 10 percent of the interest on the education trust fund, which is shared with the vocational technical centers. Current level is maintained at the fiscal 1986 expenditure level of $147,523 each year of the 1989 biennium.

Impact Aid

Section 20-9-304, MCA, provides for supplementary payments from the state to school districts that provide education to children of employees of public institutions. Current level is maintained at the fiscal 1986 level of $5,000 each year of the biennium.

Traffic and Safety Education

The Office of Public Instruction makes grants to school districts with approved traffic safety programs. As provided in Section 20-7-504, MCA, a portion of revenue from highway fines and bond forfeitures related to traffic fines is deposited to the Traffic Safety Education account for this purpose. The Office of Public Instruction is allowed to deduct administrative expenses, and the remainder is distributed to the schools. Current level is maintained at the fiscal 1986 level, or $1,092,462 each year of the biennium.

ISSUE 1: SECONDARY VOCATIONAL EDUCATION

General fund is made available to approved secondary vo-ed programs by the Office of Public Instruction to fund their "excess" costs. The special provision for excess costs is now designed by the Office of Public Instruction to relieve local taxpayers of costs associated with vo-ed programs, such as extended teacher contracts and equipment, not associated with other school programs. The 1985 legislature originally appropriated $1,000,000 over the biennium for this program. Cuts taken during the 1987 biennium amounted to $100,000, for a total appropriation of $900,000 over the biennium.

The general fund appropriated for excess costs in secondary vo-ed programs is in addition to the foundation program amount. As stated earlier, the special grant is designed by the Office of Public Instruction to reduce the burden on local taxpayers of excess program costs. As seen in Table 6, however, the program costs have increased 22.3 percent and costs per student have increased 28.8 percent in three years, compared with an increase in the consumer price index of only 10.4 percent. Therefore, regardless of the grant for excess costs, local taxpayers are experiencing significant cost increases due to program expenditure growth. Taking an average of the biennial appropriation of $900,000, the state grant was 2.8 percent of the total secondary vo ed program costs in fiscal 1986 and amounted to $18.27 per student. The $450,000 annualized state grant, which is 0.3 percent of the total general fund school budget and the equivalent of only 0.19 mill, is insignificant in terms of property tax relief statewide. In addition, the formula used by the Office of Public Instruction to distribute these funds is not based upon the school district's tax base or ability to pay for excess costs, but upon the class size, number of vo-ed periods to total school periods, local ANB value, and a weighted factor based upon the type of vo-ed program offered.

Table 6
Secondary Vo-Ed Costs and Statistics

	Fiscal 1983	% Chg	Fiscal 1984	% Chg	Fiscal 1985	% Chg	Fiscal 1986	Cumulative Change
Total Cost	$13,117,061	10.1	$14,447,664	14.6	$16,556,305	(3.1)	$16,036,858	22.3%
Excess Costs	2,879,484		3,061,473		3,112,321		3,111,598	
Regular Costs	$10,237,577	11.2	$11,386,191	18.1	$13,443,984	(3.9)	$12,925,260	
Divide by Students	25,159		24,442		24,861		24,634	
Cost/Student	$ 407	14.5	$ 466	16.1	$ 541	(3.1)	$ 525	28.8%
Consumer Price Index		3.7		3.9		2.5		10.4%
School Foundation		4.0		3.0		4.0		11.4%

Option A: Discontinue the special secondary vo-ed grant, saving $900,000 in general fund over the 1989 biennium.

Option B: Continue the program.

POSTSECONDARY VOCATIONAL-TECHNICAL CENTERS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Biennium Total Funds
Executive Budget	241.69	$7,767,878	$15,396,828
LFA Current Level	257.88	8,327,710	16,924,330
Executive Over (Under) LFA	(16.19)	$ (559,832)	$(1,527,502)

The executive budget is $1,527,502 below the total LFA current level, and $559,832 less than LFA current level general fund support.

Both the executive budget and the LFA current level were developed using concepts from the funding formula developed in 1982 by the Legislative Finance Committee and adopted in the 1983 session with a few modifications. LFA current level funds both instruction and support programs at a 95 percent funding level.

Eleven issues combine to reflect the differences between the executive budget and the LFA current level. They are student enrollment, instruction personal services, instruction operating expense, variable equipment, capital equipment, support personal service, support operating expense, audit costs, plant personal services, plant operating expense, and revenue sources.

ISSUE 1: STUDENT ENROLLMENT

The executive budget is based on a student enrollment of 2,311 annually while the LFA current level estimates 2,529 students each year, a difference of 218 students annually. The LFA current level biennium cost would be $929,186 less if the executive's lower enrollment figures were used.

Table A lists enrollment projections for fiscal 1988 for the Vo-Tech Centers. Enrollment estimates for fiscal 1989 are the same.

Table A
Student FTE Enrollment - Fiscal 1988

Center	Enrollment Estimates OBPP	LFA	OBPP Over (Under) LFA
Billings	481	490	(9)
Butte	400	405	(5)
Great Falls	410	400	10
Helena	531	658	(127)
Missoula	489	576	(87)
Total	2311	2529	(218)

ISSUE 2: INSTRUCTION PERSONAL SERVICES

The executive budget for instruction personal services is $1,412,910 lower than LFA current level for the 1989 biennium. The executive budget narrative indicates that a rate of $1,774 was multiplied by the estimated enrollment to develop the instruction personal services budget. However, the executive budget for instruction personal services is based on rates ranging from $1,570 to $1,643 per student. The LFA current level rate is $1,753.70, which is 95 percent of the full rate of $1,846. Table B shows the executive narrative rate and the rates that develop the executive budget. The executive budget would be $670,786 less than the LFA current level for instruction personal services if the narrative rate of $1,774 were applied.

Table B
OBPP Instruction Personal Services

Center	- - - OBPP/Annual Cost Factors - - - Narrative	Actual	Difference	1989 Biennium Difference
Billings	$1,774	$1,611	$163	$156,806
Butte	1,774	1,570	204	163,200
Great Falls	1,774	1,643	131	107,420
Helena	1,774	1,616	158	167,796
Missoula	1,774	1,623	151	147,678
			Total	$742,900

ISSUE 3: INSTRUCTION OPERATING EXPENSE

The executive budget is $401,670 lower than the LFA current level for instructional operating expense. The executive budget narrative indicates that a rate of $233 was applied times the enrollment to develop the instruction operating expense budget. However, the executive budget was based on rates that range from $131 to $205. Table C shows the budget development with the narrative rate and the rates which produced the executive budget figures. The executive budget would be $66,688 less than the LFA current level if the narrative rate of $233 were applied. LFA current level uses a rate of $226.10, which is 95 percent of the full rate of $238.

Table C
Instruction Operating Expense - Fiscal 1988

Center	OBPP/Annual Cost Factors Narrative	Actual	Difference	1989 Biennium Difference
Billings	$233	$163	$ 70	$ 67,340
Butte	233	205	28	22,400
Great Falls	233	131	102	83,640
Helena	233	158	75	79,650
Missoula	233	151	82	80,196
			Total	$333,226

ISSUE 4: VARIABLE EQUIPMENT

The executive budget is $534,756 higher than the LFA current level for variable equipment. The narrative indicates that a rate of $33 per student is used to develop the variable equipment budget. However, the executive budget uses rates of $33, $0, and $233 per student. Table D shows the executive narrative rate and the rates which produced the executive budget figures. The executive budget would be $10,844 less than the LFA current analysis if the narrative rate of $33 were applied, as the LFA current level rate is $32.30 for a higher enrollment estimate.

Table D
Variable Equipment

Center	OBPP/Annual Cost Factors Narrative	Actual	Difference	1989 Biennium Difference
Billings	$33	$33	$-0-	$ -0-
Butte	33	-0-	33	26,400
Great Falls	33	233	200	(164,000)
Helena	33	233	200	(212,400)
Missoula	33	233	200	(195,600)
			Total	$(545,600)

ISSUE 5: CAPITAL EQUIPMENT

The executive budget did not fund any capital equipment while the LFA current level includes $297,826, which is 95 percent support of the amount budgeted for the 1987 biennium.

ISSUE 6: SUPPORT PERSONAL SERVICES

Average compensation for state supported FTE is 2.6 percent higher in the LFA current level, but the 95 percent funding rate reduces LFA current level support personal services to $3,376 less than the executive budget.

ISSUE 7: SUPPORT OPERATING EXPENSE

The executive budget is $10,434 more than the LFA current level for support operating expense. The narrative indicates that a rate of $5,069 is multiplied times the adopted staffing standard for the Vo-Tech centers. Table E illustrates the LFA rate discounted to 95 percent times the number of support staff (without janitors), based on adopted staffing standards. Also shown are figures for FTE employees derived from the executive budget. The FTE figures stated in the executive budget narrative do not appear to be used to generate the budget.

Table E
Support Operating Expense - 1989 Biennium

Center	Narrative FTE	Actual FTE	OBPP FY 88 & 89 Rate	OBPP 1989 Biennium Budget
Billings	11.61	12.08	$5,069	$122,444
Butte	8.71	13.26	5,069	134,452
Great Falls	13.00	11.71	5,069	118,716
Helena	10.47	12.79	5,069	129,678
Missoula	13.05	13.08	5,069	132,604
Total	56.84	62.92		$637,894

Center	LFA Support FTE	LFA FY 1989 Rate	LFA 1989 Biennium Budget
Billings	12.23	$5,085.35	$124,353
Butte	10.70	5,085.35	108,796
Great Falls	11.92	5,085.35	121,202
Helena	13.22	5,085.35	134,420
Missoula	13.64	5,085.35	138,689
Total	61.71		$627,460

ISSUE 8: AUDIT COSTS

The executive budget for audit costs is $12,000 higher than the LFA current level. Audit costs of $20,000 per center were applied in the executive proposal for a total of $100,000. LFA current level audit costs total $88,000, applying the 1985 session action which required three centers to fund 10 percent and two centers to fund 15 percent of audit costs from non-appropriated funds.

ISSUE 9: PLANT PERSONAL SERVICES

The executive budget is $3,390 less than the LFA current level. The modified funding formula adopted in 1983 develops plant personal services costs from a system-wide average compensation developed from a 1982 base and inflated with pay plan increases. A 1987 average compensation figure of $21,347 was used in the LFA current level. The number of FTE is based on standards applied to building square footage. The narrative preceding the executive budget indicates that a system-wide average is applied to determine plant personal services costs but no figure is given. Table F lists the LFA average compensation discounted to 95 percent and the staffing as determined by the standards. Also included are the OBPP average compensation figures derived from dividing the budgeted amount by the number of plant FTE listed in the executive proposal.

Table F
Plant Personal Services - Fiscal 1988

	LFA			OBPP		
Center	FTE	Average Compensation	Budget	FTE	Average Compensation	Budget
Billings	4.50	$20,280	$ 91,258	3.63	$21,633	$ 78,529
Butte	3.75	20,280	76,048	3.80	20,644	78,448
Great Falls	4.50	20,280	91,258	4.00	23,454	93,818
Helena	4.25	20,280	86,189	4.10	21,684	88,906
Missoula	5.25	20,280	106,468	6.00	18,304	109,825
Total	22.25		$451,221	21.53		$449,526

ISSUE 10: PLANT OPERATING EXPENSE

The executive budget is $27,729 higher than LFA current level. The plant operating expense budget is an incremental increase of fiscal 1986 expenditures which do not exceed the level appropriated by the 1985 legislature. The Butte and Helena centers exceeded the appropriated level for fiscal 1986, and LFA current level reduced the base to the appropriated amount. The executive proposal reduced the base for these two centers to a figure below the fiscal 1986 appropriated level. As a result, LFA current level before discount is $54,656 higher for the biennium than the executive budget. The application of the 95 percent support level reduces the LFA current level figure to $27,729 lower than the executive. Table G lists the expenditures, appropriations, and base reductions for plant operations in fiscal 1986.

Table G
Plant Operating Expense - Fiscal 1988

Center	Fiscal 1986 Plant Operating Expenditures	Fiscal 1986 Appropriations	Base Reductions	Fiscal 1988 100% LFA	Fiscal 1988 OBPP
Billings	$175,142	$189,689	$ -0-	$184,401	$184,334
Butte	98,561	88,598	(9,963)	93,127	87,315
Great Falls	86,758	97,559	-0-	95,030	95,040
Helena	239,303	231,434	(7,869)	238,782	217,730
Missoula	177,501	195,498	-0-	190,800	190,917
Total	$777,265		$(17,832)	$802,140	$775,336

ISSUE 11: REVENUE SOURCES

Table H compares the funding differences by revenue sources.

Table H
Revenue Source Comparisons - Vo-Tech Centers
1989 Biennium

Revenue Sources	OBPP	LFA	OBPP Over (Under) LFA
Millage	$ 1,668,286	$ 1,608,585	$ 59,701
Education Trust	1,561,484	1,652,541	(91,057)
Tuition	3,189,180	3,490,020	(300,840)
Federal	1,210,000	1,845,474	(635,474)
General Fund	7,767,878	8,327,710	(559,832)
Total	$15,396,828	$16,924,330	$(1,527,502)

The executive proposal estimates the 1.5 mill levy at $59,701 higher than LFA current level and the education trust fund interest at $91,057 less. Tuition is estimated at $300,840 less in the executive proposal than in LFA current level. Both the executive and LFA current level budgets use the Office of Public Instruction proposed tuition rates of $675 per year for fiscal 1988 and $705 for fiscal 1989. The executive budget has 436 fewer students than the LFA current level, which generates $300,840 less tuition than the LFA current level.

Federal revenues are $635,474 less in the executive budget than in LFA current level. The executive revenue estimates reflect actual fiscal 1986 revenue. LFA current level uses federal vo-ed revenue appropriated in fiscal 1986 as the revenue total for fiscal 1988. Federal funding is available to a program on a three-year basis and requires an application and implementation process. After three years, a new process must be instituted. Some centers did not utilize the funds available to them in fiscal 1986 and, therefore, generated very small amounts of their budgets from federal vo-ed funds. General fund or local mill levy funds are utilized when federal vo-ed funds are not secured. LFA current level includes figures that represent available fiscal 1986 federal vo-ed funds for fiscal 1988. Figures are proportionately adjusted for fiscal 1989 to reflect higher federal vo-ed revenue for those centers generating a smaller portion of their budget from federal funds in fiscal 1988.

POSTSECONDARY VOCATIONAL-TECHNICAL CENTERS

Expenditures by Center	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
Billings	$1,658,974	$1,736,993	$1,686,282	$1,677,076	(1.0)
Butte	1,323,227	1,349,012	1,377,458	1,364,903	2.6
Great Falls	1,471,761	1,445,418	1,408,808	1,398,560	(3.8)
Helena	2,080,609	2,092,055	2,099,673	2,090,012	0.4
Missoula	1,990,336	1,973,014	1,913,227	1,908,331	(3.6)
Total Expenditures	$8,524,907	$8,596,492	$8,485,448	$8,438,882	(1.1)
Fund Sources					
General Fund	$4,640,674	$4,260,472	$4,374,971	$3,952,739	(6.4)
Tuition Fees	1,496,675	1,544,765	1,707,075	1,782,945	14.7
County Millage	903,288	868,314	800,291	808,294	(9.2)
Education Trust	895,000	1,115,467	795,637	856,904	(17.8)
Federal Vo-Ed Funds	589,270	807,474	807,474	1,038,000	32.1
Total Funds	$8,524,907	$8,596,492	$8,485,448	$8,438,882	(1.1)

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Leg. Funding Level				
Option A: 100 percent level	$441,971	$ -0-	$444,152	$ -0-
Option B: Current level	-0-	-0-	-0-	-0-
2. Tuition Rate				
Option A: 1987 tuition level	$204,849	$(204,849)	$280,719	$(280,719)
Option B: Current level	-0-	-0-	-0-	-0-
3. Voted Mill Levy	N/A	N/A	N/A	N/A

Montana's five Postsecondary Vocational-Technical Centers in Billings, Butte, Great Falls, Helena, and Missoula collectively serve approximately 2,500 students annually. The vo-tech centers' budgets are estimated with a funding formula developed by the Legislative Finance Committee and implemented with few modifications in the 1983 session. Due to the 5 percent general fund and pay plan reductions for fiscal 1987, the effective rate of support for the funding formula was 95 percent. The current level analysis applies a 95 percent funding formula support level, resulting in a 1.1 percent decrease in the 1989 biennium when compared with the 1987 biennium appropriations.

Three centers show decreases, while Butte and Helena show slight increases. In the 1987 biennium, Butte had no capital equipment budget because construction funds were available for equipment. In the 1989 biennium capital equipment funds for Butte result in the budget increase. The enrollment projections for Helena show a slight increase over fiscal 1986, resulting in a small budget increase. The decreases in the other three centers' budgets are due to declining enrollment projections.

FUNDING FORMULA

The LFA current level analysis utilizes the vocational-technical centers' funding formula, which develops expenditures in four areas: instruction, support, plant operation and maintenance, and equipment. Both personal service and operating expense costs are developed for the instruction, support, and plant portions of the budgets.

A large portion of the vo-tech centers' budgets is dependent upon the expected biennium enrollment of student full-time equivalents (FTE's). A student FTE is defined as 1000 hours of student/teacher classroom contact per year. All of the instruction program, a portion of the equipment budget, and, indirectly, the support program are impacted by FTE increases or decreases.

Table 1 lists the actual 1986, appropriated 1987, and projected FTE for fiscal 1988 and 1989. Enrollment projections for the 1989 biennium are based on a three-year average (1984, 1985, and 1986) for Billings and Helena. Observations of enrollment patterns for 5 years showed no obvious trend for Billings and Helena. A two-year average was used for Great Falls, which has a pattern of decreasing enrollment; for Butte, where a new facility was opened in fiscal 1985; and for Missoula, where enrollment appears to have leveled out in 1985 and 1986.

Table 1
Student Full-Time Equivalent Enrollment

Center	Fiscal 1984	Fiscal 1985	Fiscal 1986	Approp. 1987	- Projections - 1988	1989
Billings	485	497	489	511	490	490
Butte	342	403	406	415	405	405
Great Falls	449	408	391	423	400	400
Helena	663	665	647	660	658	658
Missoula	607	575	577	596	576	576
Total	2,546	2,548	2,510	2,605	2,529	2,529

Instruction

The Instruction Program accounts for approximately 60 percent of total legislatively appropriated funds at the centers. The development of the Instruction Program's budget is based on FTE enrollment figures and an instruction rate per FTE. The projected FTE figures are listed in Table 1. The flat instruction rate per FTE was developed from actual expenditures for all the centers in the base year fiscal 1982. Inflation was applied annually to the rates established in fiscal 1982 to obtain a 1989 biennium rate of $1,846 for personal services and $238 for operating expenses, which were used to develop the Instruction Program budget for the 1989 biennium.

Support

Activities in the Support Program include instruction support, academic supervision, financial and institutional administration, and student services. The

factors used to estimate the Support Program personal services costs include support staffing standards and an average compensation for each type of support position.

Table 2 lists the staff standards approved by the Forty-Eighth Legislature and used in the current level 1989 biennium analysis.

Table 2
Support Staff Standards Approved by the Forty-Eighth Legislature

Function	Staff Standard
Administration	1 Director 1 Assistant Director
Support	1 Business Manager or Chief Accountant 1 Counselor for every 300 Students 1 Librarian or Media Specialist 1 Head Custodian with a staff of 1.00 FTE to each 35,000 gross square feet of facility
Clerical	1 Administrative Secretary 1 Secretary: 3 Administrative Staff 1 Secretary: 5 Support Staff (Includes Janitors) 1 Secretary: 10 Instruction Staff

Table 3 shows the development of estimated staffing needs for each center and the average compensation for each type of position. The average compensation for positions was determined when the formula was developed. Inflation was applied to update the average compensation figures to fiscal 1987 levels.

Table 3
Support Staff Requirements and Average Compensation
1989 Biennium

Staffing Needs	Billings	Butte	Great Falls	Helena	Missoula	Avg Compensation Per Support Staff FTE 1988 & 1989
Administration						
Director	1.00	1.00	1.00	1.00	1.00	$54,094
Assistant Director	1.00	1.00	1.00	1.00	1.00	54,086
Support						
Business Mgr. or Accountant	1.00	1.00	1.00	1.00	1.00	45,743
Counselor (1:300 students)	1.63	1.35	1.33	2.19	1.92	34,228
Librarian/Media Specialist	1.00	1.00	1.00	1.00	1.00	23,407
Clerical						
Administrative Secretary	1.00	1.00	1.00	1.00	1.00	18,324
Clerical Support						
Admin 1:3	0.67	0.67	0.67	0.67	0.67	15,996
Support 1:5	1.61	1.40	1.54	1.68	1.81	15,996
Instruction 1:10	3.32	2.28	3.38	3.68	4.24	15,996
Total Support Staff FTE	12.23	10.70	11.92	13.22	13.64	
Projected Student FTE - FY 88 & 89	490	405	400	658	576	
Instruction Staff FTE/OPI reports	33.20	22.70	33.78	36.77	42.40	

The operating cost for support services is determined using an average operating cost per FTE support staff. The Office of Budget and Program Planning inflation factors were applied to the $5,345 rate used for fiscal 1986 to obtain the operating cost rate of $5,350 in fiscal 1988 and $5,353 in fiscal 1989.

Audit Costs

Total audit costs are estimated to be $20,000 at each center. Funding for the audit costs follow the policy applied in the 1985 session. Using non-appropriated funding sources, the Billings, Butte, and Great Falls centers are to provide 10 percent and the Helena and Missoula centers 15 percent of the costs of the audit. Consequently, current level audit costs are $18,000 at the Billings, Butte, and Great Falls centers and $17,000 at the Helena and Missoula centers, for a total biennium audit cost of $88,000.

Plant Operation and Maintenance

The formula for funding plant operations and maintenance is applied as modified by the Forty-Ninth Legislature and involves estimation of personal services based on staffing requirements and an average compensation for the position.

The factors used to develop the personal services component of the Plant Operation and Maintenance Program include one head custodian with a staff of 1 FTE for each 35,000 gross square feet, rounded to the nearest 0.25 FTE. Salary is based on the average compensation figure used to develop the fiscal 1987 budget.

Operating expenses are incrementally budgeted from fiscal 1986 expenditures without the voted mill levy. Inflation factors used are those applied to other state agencies. Table 4 shows the number of plant FTE and the personal service and operating expense costs for the 1989 biennium.

Table 4
Plant Operating and Maintenance Formula Components*
1989 Biennium

Center	Square Footage of Physical Plant	No. of Staff	Avg. Annual Comp. Rate	Personal Svcs. 1989 Biennium	Operating Expense FY 1988	Operating Expense FY 1989
Billings	120,500	4.50	$21,347	$192,122	$184,401	$193,621
Butte	92,700	3.75	21,347	160,102	93,127	98,827
Great Falls	118,000	4.50	21,347	192,122	95,030	103,154
Helena	113,000	4.25	21,347	181,450	238,782	246,468
Missoula	145,000	5.25	21,347	224,144	190,800	203,500
Total				$949,940	$802,140	$845,570

*Reductions to 95 percent on main table.

Equipment

The equipment budget is determined separately for: 1) variable equipment, which are items with unit costs under $1,000; and 2) capital equipment, which are items with unit costs exceeding $1,000. Variable equipment costs are estimated using a flat rate established at the time the formula was implemented. A rate of $34 per student FTE for each year of the biennium was used. Capital equipment costs are based on requests from each center. Total capital equipment requests from the centers for the 1989 biennium exceed $1.5 million. The Forty-Ninth Legislature chose to provide a flat amount for capital equipment for each center in the amount of $31,350. The current level analysis uses that 1987 biennium annual figure of $31,350 for the capital equipment budget for each center. Total biennium equipment costs, with 95 percent funding support level, are $163,370 for variable equipment, and $297,830 for capital equipment.

Summary of Current Level Costs

The program expenditures for each unit, as estimated by the current level analysis with 95 percent funding support, are listed in Table 5.

Table 5
Program Expenditures by Center - 95 Percent Support
1989 Biennium

	Billings	Butte	Great Falls	Helena	Missoula	Total
FISCAL 1988						
Instruction						
Personal Services	$ 859,312	$ 710,249	$ 701,480	$1,153,935	$1,010,131	$4,435,107
Operating Expenses	110,789	91,571	90,440	148,773	130,234	571,807
Support						
Personal Services	323,973	295,872	314,065	348,706	350,422	1,633,038
Operating Expenses	62,159	54,383	60,584	67,191	69,325	313,642
Audit	18,000	18,000	18,000	17,000	17,000	88,000
Plant Operation & Maint.						
Personal Services	91,258	76,048	91,258	86,189	106,468	451,221
Operating Expenses	175,181	88,471	90,278	226,843	181,260	762,033
Equipment						
Capital	29,783	29,783	29,783	29,783	29,783	148,915
Variable	15,827	13,081	12,920	21,253	18,604	81,685
Total Expenditures	$1,686,282	$1,377,458	$1,408,808	$2,099,673	$1,913,227	$8,485,448
FISCAL 1989						
	Billings	Butte	Great Falls	Helena	Missoula	Total
Instruction						
Personal Services	$ 859,312	$ 710,249	$ 701,480	$1,153,935	$1,010,131	$4,435,107
Operating Expenses	110,789	91,571	90,440	148,773	130,234	571,807
Support						
Personal Services	323,973	295,872	314,065	348,706	350,422	1,633,038
Operating Expenses	62,194	54,413	60,618	67,229	69,364	313,818
Plant Operation & Maint						
Personal Services	91,258	76,048	91,258	86,189	106,468	451,221
Operating Expenses	183,940	93,886	97,996	234,144	193,325	803,291
Equipment						
Capital	29,783	29,783	29,783	29,783	29,783	148,915
Variable	15,827	13,081	12,920	21,253	18,604	81,685
Total Expenditures	$1,677,076	$1,364,903	$1,398,560	$2,090,012	$1,908,331	$8,438,882

REVENUE

The Postsecondary Vocational-Technical Centers are funded from five sources: tuition, county one and one-half mill levy, federal vocational-education funds, interest from the education trust fund, and general fund.

Table 6 lists the estimated revenue by source for each center to fund current level at 95 percent support in the 1989 biennium.

Table 6
Estimated Revenue by Center
1989 Biennium

Fiscal 1988	Billings	Butte	Great Falls	Helena	Missoula	Total System
Tuition	$ 330,750	$ 273,375	$ 270,000	$ 444,150	$ 388,800	$1,707,075
County Millage	332,403	55,682	137,798	103,392	171,016	800,291
Education Trust Interest	154,353	127,302	125,711	206,866	181,405	795,637
Federal Vo-Ed	128,910	121,613	122,221	107,743	326,987	807,474
General Fund	739,866	799,486	753,078	1,237,522	845,019	4,374,971
Total Revenue	$1,686,282	$1,377,458	$1,408,808	$2,099,673	$1,913,227	$8,485,448
Fiscal 1989						
Tuition	$ 345,450	$ 285,525	$ 282,000	$ 463,890	$ 406,080	$1,782,945
County Millage	335,727	56,239	139,176	104,426	172,726	808,294
Education Trust Interest	166,239	137,105	135,391	222,795	195,374	856,904
Federal Vo-Ed	250,000	165,000	168,000	310,000	145,000	1,038,000
General Fund	579,660	721,034	673,993	988,901	989,151	3,952,739
Total Revenue	$1,677,076	$1,364,903	$1,398,560	$2,090,012	$1,908,331	$8,438,882

Tuition

The annual tuition rate used in the current level analysis is $675 for fiscal 1988 and $705 for fiscal 1989. The tuition cost for fiscal 1986 was $564 and for fiscal 1987 was $594. The tuition rates reflect those recommended by the Office of Public Instruction, and are an increase of 19.2 percent from the 1987 biennium rate to the 1989 biennium rate. A survey of surrounding states' tuition costs for postsecondary vocational-technical centers indicates that rates are higher in surrounding states. Although students are being asked to increase their contribution, costs in Montana will still be lower than the average in the surrounding states by approximately 1.4 percent. The revenue from tuition represents an increase of $458,580, or 14.7 percent over the last biennium, primarily because of the proposed tuition increase. Tuition revenue represents 20.6 percent of total revenue.

County One and One-Half Mill Levy

Section 20-7-324, MCA, authorizes the county commissioners in each county in which a vo-tech center is located to levy one and one-half mills for the support and maintenance of the center located within that county. The legislature during Special Session III amended that section to change the levy from permissive to mandatory. The Superintendent of Public Instruction has been given the authority by the legislature to transfer millage revenue collections from centers that exceed the appropriated revenue amount to those centers undercollecting. Language in the general appropriations act also requires a general fund reversion equal to the amount

of millage overcollections on a system level to prevent the additional revenue from providing budget increases. Table 7 indicates the fiscal year 1986 mandatory 1.5 mill levy collections of $903,288 by county, the $7,284 redistributed, and the $48,055 reverted to reduce the total general fund expenditure.

Table 7
One and One-Half Mill Levy
Fiscal Year 1986

County	Collections	Approp.	Redistributed Over/Under Allocations	Reverted
Yellowstone (Billings)	$343,254	$320,811	$(7,284)	$15,159
Silver Bow (Butte)	72,659	76,579	3,920	-0-
Cascade (Great Falls)	172,927	144,445	-0-	28,482
Lewis & Clark (Helena)	101,098	96,684	-0-	4,414
Missoula (Missoula)	213,350	216,714	3,364	-0-
Total	$903,288	$855,233	$ -0-	$48,055

The millage revenue estimated for the 1989 biennium considers the vehicle fee reimbursement and corporate tax redistribution, both of which are distributed to the counties from the state and are considered part of the county millage revenue. The estimated millage revenue is $800,291 in fiscal 1988 and $808,294 in fiscal 1989 and represents a decrease of 9.3 percent from the 1987 biennium. County mill levy collections represent 9.5 percent of total revenue for the 1989 biennium.

Federal Vocational-Education Funds

The Carl D. Perkins Vocational Education Act (Public Law 98-524) was passed in 1984 and essentially replaces the Vocational Education Act of 1963. The act appropriated funds for fiscal 1985 and authorized appropriations for fiscal years 1986 through 1989. No state is to receive in any fiscal year less than the total amount of vocational education payments made to the state in fiscal 1984. The bill was intended to expand, improve, and update high-quality programs for vocational-technical education, and requires more specific direction for use of funds than in the past.

The 1987 biennium appropriation estimated federal revenue receipts for all centers at $1,845,474 for the biennium. Table 8 shows the amount of federal funding anticipated for the fiscal 1986 appropriation, and the actual fiscal 1986 receipt of federal vo-ed funds. Only 73 percent of the appropriated amount was expended. Both Missoula and Great Falls centers secured the necessary approval to receive 100 percent and 97 percent, respectively. Butte and Helena secured 56 percent and 52 percent while Billings shows receipt of 18 percent. At fiscal year end two of the centers returned small amounts of the actual receipts. Missoula returned $547 and Billings returned $1,326. When the anticipated amount of federal funding is not secured, local voted levy funds are used to replace the shortfall that may occur.

Table 8
Federal Funding Receipt Levels
Fiscal 1986

Center	Appropriations Estimate - FY86	Actual Receipts - FY86	Actual as % of Approp. Estimate	Actual as % of Total Expenditures
Billings	$127,612	$ 23,036	18%	1.4%
Butte	121,613	68,662	56%	5.2%
Great Falls	121,010	117,216	97%	8.0%
Helena	106,295	55,096	52%	2.7%
Missoula	325,807	325,260	100%	16.3%
Total	$802,337	$589,270	73%	6.95%

The present use of federal funding by the centers has decreased from a total of $1,058,615 in fiscal 1978 to $589,270 in fiscal 1986, a decrease of 44.3 percent over eight years. Although federal funds are now more difficult to secure, funds are available provided necessary curriculum changes and application procedures are pursued. Decreasing the amount of expected receipt of federal funding increases general fund or voted levy costs. Fiscal 1986 was the first year of a three-year federal vo-ed funds appropriations cycle. Current level funding reflects the fiscal 1986 amount which is available to the centers through fiscal 1988. After three years, federal funds can no longer be applied to the same project. New applications and uses for the funds must be generated for fiscal 1989. In fiscal 1989 the level of federal funds at each center changes under the assumption that those with fewer federal dollars will complete application for new support while those with more federal dollars in fiscal 1988 may have federal fund reductions.

Education Trust Fund Interest

Section 90-6-211, MCA, authorizes the use of ten percent of the interest from the education trust, which is funded by the coal tax, for operating costs incurred by postsecondary vo-tech centers and adult basic education programs. The current level analysis includes $795,637 of education trust fund interest in fiscal 1988 and $856,904 in fiscal 1989. This level represents a 17.8 percent decrease from the 1987 biennium. The legislature in Special Session III utilized a balance of $115,467 in trust fund interest to expand the trust fund contribution in the 1987 biennium by 5.7 percent.

General Fund

After all other available revenue sources are estimated, the general fund portion is calculated. The general fund is estimated to decrease 6.4 percent from the 1987 biennium to the 1989 biennium. The general fund is budgeted at $4,374,971 in fiscal 1988 and $3,952,739 in fiscal 1989 representing, 49.2 percent of total revenue. Any pay increases will also be funded from the general fund.

ISSUE 1: LEGISLATIVE FUNDING LEVEL 100 PERCENT

Since the implementation of a vocational-technical center funding formula in the 1983 legislative session, the legislature has funded the budget at 100 percent. Budget reductions made in Special Session III for fiscal 1987 resulted in an effective funding rate of 95 percent of the budget as developed by the formula. If funding were restored to 100 percent of the funding formula budget, the general fund increase would be $441,971 in fiscal 1988 and $444,152 in 1989 for a total of $886,123 in the 1989 biennium. Table 9 illustrates the impact to the general fund as a result of 100 percent funding of the formula budgets.

Table 9
General Fund Impact of 100 Percent Funding
1989 Biennium

	- - 95 Percent Funding - -		- - 100 Percent Funding - -		Biennium
Center	FY 1988	FY 1989	FY 1988	FY 1989	Difference
Billings	$1,686,282	$1,677,076	$1,774,087	$1,765,343	$176,072
Butte	1,377,458	1,364,903	1,449,008	1,436,740	143,387
Great Falls	1,408,808	1,398,560	1,482,008	1,472,168	146,808
Helena	2,099,673	2,090,012	2,209,287	2,200,013	219,615
Missoula	1,913,227	1,908,331	2,013,029	2,008,770	200,241
Total	$8,485,448	$8,438,882	$8,927,419	$8,883,034	$886,123

Option A: Fund the vocational-technical center formula at 100 percent, increasing general funds costs $886,123 for the biennium.

Option B: Fund at the current level of 95 percent.

ISSUE 2: TUITION RATE

As discussed in the current level analysis, the Office of Public Instruction is recommending tuition increases of 19.2 percent for the 1989 biennium. Rates increase from $564 for fiscal 1986 and $594 for fiscal 1987, to $675 and $705 for fiscal 1988 and fiscal 1989, respectively. Table 10 illustrates the general fund fiscal impact of retaining the 1987 tuition rate. General fund is impacted by $204,849 in fiscal 1988 and $280,719 in fiscal 1989 for a total biennium increase of $485,568.

Table 10
General Fund Impact of Retaining Tuition at the 1987 Level
1989 Biennium

Center	1987 Tuition Rate	Current Level FY 1988	Current Level FY 1989	Biennium Difference
Billings	$ 291,060	$ 330,750	$ 345,450	$ 94,080
Butte	240,570	273,375	285,525	77,760
Great Falls	237,600	270,000	282,000	76,800
Helena	390,852	444,150	463,890	126,336
Missoula	342,144	388,800	406,080	110,592
Total	$1,502,226	$1,707,075	$1,782,945	$485,568

Option A: Retain tuition at the fiscal 1987 level for a $485,568 biennium general fund increase.

Option B: Adopt increased tuition rates used in current level.

ISSUE 3: ADDITIONAL VOTED MILL LEVY

Section 20-7-326, MCA, authorizes each school district containing a vo-tech center to place before the electorate an additional voted levy for the purpose of paying personal services, operating, or equipment costs beyond the appropriation established by the legislature. Each center is granted the right to request spending authority for the additional money raised through the additional voted levy. The mill levy funds are then deposited in the operations funding pool. To avoid the loss of identity of these funds, the centers have established trust accounts as holding tanks for additional voted levy funds that are transferred into the operations pool as necessary. As these funds are not appropriated by the legislature, they are not considered in the development of the budget, nor are they included in biennium comparison figures. The total of the additional voted levy expended by the centers in fiscal 1986 was $1,589,428 and represents 15.7 percent of the total expenditures.

Table 11 lists the sources of funding for the expanded budget for the vocational-technical centers by amount and percent of total for fiscal 1986 and includes the voted mill levy revenue. The table indicates that the general fund provides 45.9 percent and the education trust interest contributes 8.8 percent. The smallest contributing source is federal vo-ed funding at 5.8 percent of the total.

Table 11
Additional Voted Mill Levy Contribution to Centers' Funding
Fiscal 1986

Source	Billings	Butte	Great Falls	Helena	Missoula	Mill Levy Reversion	Act FY86 Total	% of FY86 Funding
Gen Fund	$ 841,568	$ 802,389	$ 806,823	$1,330,262	$ 907,687	$(48,055)	$ 4,640,674	45.9
Tuit & Fees	292,769	234,187	252,022	380,187	337,510	-0-	1,496,675	14.8
County Mill	320,811	76,579	144,445	96,684	216,714	48,055	903,288	8.9
Educ Trust	180,790	141,410	151,255	218,380	203,165	-0-	895,000	8.8
Fed Vo-Ed	23,036	68,662	117,216	55,096	325,260	-0-	589,270	5.8
Voted Levy	227,088	253,054	206,821	292,322	610,143	-0-	1,589,428	15.7
Total Funds	$1,886,062	$1,576,287	$1,678,582	$2,372,931	$2,600,479	$ -0-	$10,114,335	100.0

Table 12 shows the fiscal 1986 mill levy figures and the amount which remains in the trust accounts. Mill levy expenditures are made from the operations funding pool which includes both appropriated funds and voted mill levy funds, making it difficult to determine actual general fund expenditures for the vocational technical centers.

Table 12
Additional Voted Levy - Vo-Tech Centers
Fiscal 1986

Center	Authority Requested	Total Collections	Total Deposited	Actual Expended	FY End Trust Account
Billings	$ 295,491	$ 269,743	$ 234,391	$ 227,088	$379,134
Butte	271,549	254,549	254,549	253,054	1,473
Great Falls	237,000	237,000	225,000	206,821	19,000
Helena	329,130	329,130	291,854	292,322	42,815
Missoula	670,000	551,340	607,900	610,143	20,066
Total	$1,803,170	$1,641,762	$1,613,694	$1,589,428	$462,488

To appropriately account for the vocational-technical voted mill levy funds and for general funds, the additional mill levy funds should be accounted for in a separate responsibility center in the statewide budgeting and accounting system. No funds increase or decrease as a result of this issue.

Option A: Direct the vocational-technical centers to account for voted mill levy expenditures separately from current unrestricted funds appropriated by specific dollar level in the general appropriations act and pay plan bill.

Option B: Make no change.

STATE COUNCIL FOR VOCATIONAL EDUCATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	2.00	$ -0-	$227,270
LFA Current Level	2.00	-0-	231,465
Executive Over (Under) LFA	0.00	$ -0-	$ (4,195)

The executive budget is $4,195 less than the LFA current level.

ISSUE 1: VACANCY SAVINGS

The executive budget applies 4 percent vacancy savings to personal services which results in the executive budget personal services being $4,985 less than LFA current level.

ISSUE 2: COMMUNICATION EXPENSES

The executive budget operating expenses are $790 higher than LFA current level in communication costs.

STATE COUNCIL FOR VOCATIONAL EDUCATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.00	2.00	2.00	2.00	0.00
Personal Service	$41,576	$ 60,368	$ 60,998	$ 60,318	19.0
Operating Expense	42,380	57,577	54,752	55,397	10.2
Total Expenditures	$83,956	$117,945	$115,750	$115,715	14.6
Fund Sources					
Federal Revenue	$83,956	$117,945	$115,750	$115,715	14.6

The Montana State Council for Vocational Education is responsible for providing leadership in vocational technical education through advisement and recommendation to the Governor, the State Board of Public Education, and the public. The council was formerly known as the Montana Advisory Council for Vocational Education. The title and role changed in 1986 with the implementation of the Carl D. Perkins Vocational Education Act (Public Law 94-524), which superseded the Vocational Education Act of 1963. The council consists of thirteen members representing business, industry, agriculture, and labor, as well as vocational education. The Carl Perkins Act expanded the council's role in the development and improvement of state programs for vocational education by adding responsibilities for evaluation of programs, development of a state plan, and reviewing articulation among programs.

The council is funded entirely from federal vocational education funds anticipated at $112,113 for each year of the 1989 biennium. The 1987 fiscal year expenditures are not projected to utilize total available federal funds, so additional funds of $61,532 will be available for allocation in the 1989 biennium. Gramm-Rudman cuts of 4.3 percent reduced fiscal year 1987 anticipated funds of $116,350 to $112,113. In October of 1986, the $116,350 was restored for fiscal year 1987, and may ultimately be restored for fiscal years 1988 and 1989.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	2.00	2.00	0.00
Personal Service	$ 59,865	$41,576	$18,289
Operating Expense	57,493	42,380	15,113
Total Exp. and Fed. Rev.	$117,358	$83,956	$33,402

The director's position was vacant for seven months of the fiscal year, resulting in a personal service expenditure of $18,289 less than appropriated. The activities of the council were curtailed when the director's position was vacant, resulting in a $15,113 difference between budgeted and actual operating expenses.

Current Level Adjustments

The increase of 19 percent in personal services results from funding the director's position for the full year as compared to five months in fiscal 1986.

The increase in operating expenses of 10.9 percent is caused primarily by the changed role of the council and the more active involvement of a full-time director. Printing and mailing costs increase by $5,278. Rent increases slightly in fiscal 1988 and an increase of $3,479 in fiscal 1989 reflects an anticipated move to adequate quarters. A travel increase of $4,061 is a result of more active involvement by the thirteen council members in state and national meetings. Audit costs of $2,880 are included in fiscal 1988.

MONTANA ARTS COUNCIL
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	7.47	$229,988	$ 1,033,668
LFA Current Level	4.00	209,044	2,109,244
Executive Over (Under) LFA	3.47	$ 20,944	$(1,075,576)

The executive recommendation includes 3.47 additional FTE over LFA current level. The proposed general fund is $20,944 over the LFA current level while total funds are $1,075,576 under current level. The executive does not include any of the cultural and aesthetics grant funds in its recommendation while the current level presents the Grants Program at the fiscal 1986 level each year of the 1989 biennium, with total cultural and aesthetics project funding of $1,096,973.

ISSUE 1: CONTRACT VS STATE EMPLOYEES

The executive is converting contracted employees to full-time equivalents on the state pay and classification system. The addition of 3.47 FTE by the executive results in personal services costs of $172,076 over the LFA current level personal services for the biennium. The LFA current level includes $116,672 to contract for 2.97 positions. Overall, the executive proposal costs $55,404 more than LFA current level.

ISSUE 2: VACANCY SAVINGS

The executive includes a 4 percent vacancy savings factor, which amounts to $15,495 in the 1989 biennium. The LFA current level does not apply vacancy savings to agencies with fewer than 20.0 FTE.

ISSUE 3: CULTURAL AND AESTHETICS GRANTS

LFA current level includes $1,059,817 for grants from the cultural and aesthetics grants, which maintains the overall Grants Program at the fiscal 1986 level of expenditure through the 1989 biennium, and $37,156 to provide current level administrative services for the grants. The executive does not include the cultural and aesthetics grants in its recommendation.

MONTANA ARTS COUNCIL

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	5.50	5.50	4.00	4.00	(1.50)
Personal Service	$ 102,470	$ 113,255	$ 107,678	$ 107,611	(0.2)
Operating Expense	292,797	240,347	282,193	271,430	(3.8)
Equipment	1,545	-0-	-0-	-0-	(100.0)
Total Operating Costs	$ 396,812	$ 353,602	$ 389,871	$ 379,041	(2.5)
Non-Operating Costs	670,167	911,521	670,166	670,166	(15.3)
Total Expenditures	$1,066,979	$1,265,123	$1,060,037	$1,049,207	(9.6)
Fund Sources					
General Fund	$ 118,706	$ 111,174	$ 114,548	$ 94,496	(9.6)
State Special	530,718	761,151	543,639	553,334	(15.1)
Federal Revenue	383,355	342,828	332,400	331,927	(8.5)
Private Revenue	34,200	49,970	69,450	69,450	65.0
Total Funds	$1,066,979	$1,265,123	$1,060,037	$1,049,207	(9.6)

The Montana Arts Council was created by the legislature in 1967 in recognition of the increasing importance of art in the lives of Montanans, the need to provide the opportunity for young people to participate in the arts and contribute to the cultural heritage of Montana, and the growing significance of the arts as an element which makes living and vacationing in Montana desirable. The responsibilities of the council are to encourage the study and presentation of the arts, to foster public interest in our cultural heritage and resources, and to encourage and assist in freedom of artistic expression.

The council is funded with general fund, federal funds and state special revenue from interest income from the coal tax park trust fund for the cultural and aesthetics program. Federal funds of $332,400 per year are allocated to the council's three programs as follows: 1) Promotion of the Arts federal funds increase 0.7 percent in the same proportion to total funds as was spent in fiscal 1986 and appropriated in fiscal 1987; 2) the Grants Program federal funds provide the remaining funds required to maintain the fiscal 1986 expenditure level after general fund and all estimated state special cultural and aesthetic funds are included; and 3) the balance of available federal funds is used in the Special Projects Program.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	4.50	5.50	(1.00)
Personal Service	$ 185,278	$ 102,470	$ 82,808
Operating Expense	238,669	292,797	(54,128)
Equipment	-0-	1,544	(1,544)
Total Operating Costs	$ 423,947	$ 396,811	$ 27,136
State Sources			
Cultural and Aesthetics	$1,208,989	$ 481,142	$727,847
General Fund	20,000	20,000	-0-
Federal Sources	194,210	168,665	25,545
Total Non-Operating Costs	$1,423,199	$ 669,807	$753,392
Total Operations	$1,847,146	$1,066,618	$780,528
Funding			
General Fund	$ 118,707	$ 118,705	$ 2
State Special	1,291,511	530,361	761,150
Federal Revenue	436,928	417,552	19,376
Total Funds	$1,847,146	$1,066,618	$780,528
Additions			
Coal Tax Trust Continuing Authority		$361	$361

The council allocated $82,522 of the biennial cultural and aesthetics appropriation in House Bill 938 to operating costs in fiscal 1986. The personal services allocation was $72,414 and the balance of $10,109 was allocated to travel. Only $23,404 of the personal services allocation was spent in fiscal 1986, which accounts for $49,010 of the personal service savings shown in Table 1. The balance of the personal service savings comes from a vacant program specialist position.

The council allocated $10,109 of the biennial cultural and aesthetics appropriation to travel under operating costs. The council actually spent $25,814 of these funds under operating costs, which accounts for $15,705 of the $54,128 overexpenditure of operating costs reflected in Table 1. The remaining $38,423 over the authorized occurred in contracted services where the council spent $35,113 more on contract employees than budgeted. Supplies were overexpended $6,289 and offset by savings in travel of $6,362. Communication costs were $2,376 more than authorized and other expenses exceeded the authorized by $1,096.

The operating portion of the biennial cultural and aesthetics appropriation has a balance of $33,309 for fiscal 1987.

Equipment was overexpended by $1,544 after the council purchased equipment items with no equipment budget.

Non-operating cost savings of $753,392 were realized primarily because cultural and aesthetics state special revenue is a biennial appropriation and grants may not be made in excess of 50 percent in the first 12 months. Non-operating costs from federal sources has a balance of $25,545. Most of this balance results from budgeting contract employees under this category but coding the actual expenditure under contracted services. The Promotion of the Arts Program had $12,123 budgeted in non operating expenditures from federal sources that was expended in contracted services and the Special Projects Program had $10,739. These two items account for $22,862 of the non-operating costs from federal sources. The balance of $2,683 are unused grant funds.

The general fund had $2 left after the Governor's cuts totaling $2,423. Federal National Endowment for the Arts funds had savings of $19,376 because of federal cut backs, while $761,150 remains of the biennial appropriation from the cultural and aesthetics fund. There are three programs in the Montana Arts Council--Promotion of the Arts, Grants, and Special Projects.

PROMOTION OF THE ARTS PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level Fiscal 1988	Current Level Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.10	2.10	2.10	2.10	0.00
Personal Service	$ 61,068	$ 72,723	$ 69,878	$ 69,759	4.4
Operating Expense	73,472	40,597	66,742	55,993	7.6
Equipment	300	-0-	-0-	-0-	(100.0)
Total Operating Costs	$134,840	$113,320	$136,620	$125,752	5.7
Non-Operating Costs	-0-	12,489	-0-	-0-	(100.0)
Total Expenditures	$134,840	$125,809	$136,620	$125,752	0.7
Fund Sources					
General Fund	$ 60,400	$ 54,390	$ 60,113	$ 55,331	0.6
Federal Revenue	74,440	71,419	76,507	70,421	0.7
Total Funds	$134,840	$125,809	$136,620	$125,752	0.7

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Convert contract FTE to state employees.	$ -0-	$17,172	$ -0-	$17,103

The functions in this program relate to the administrative functions of the agency and the council. Personal services increase 4.4 percent primarily due to vacancy savings realized in fiscal 1986. Operating costs increase 7.6 percent as costs of contract positions previously budgeted and expended in the non-operating category are now budgeted in operating expense. Funding is provided by general fund and federal funds. The general fund and federal funds increase at approximately the same rate, maintaining the same proportional share of total funding as in the 1987 biennium.

Current Level Adjustments

Operating expenses are increased $72 for insurance based on quotes from the Department of Administration, legislative audit fees are increased $2,400 to $10,800 in fiscal 1988 and professional contracts were decreased $8,232 for a contract communications coordinator that was not authorized. Office supplies were decreased $1,055 to the fiscal 1986 authorized level while all other expenditures are included at the fiscal 1986 level.

ISSUE 1: CONVERT CONTRACT EMPLOYEES TO STATE EMPLOYEES

The agency has contracted for employees through the Montana Institute of the Arts Foundation for services that are a normal part of the council's business. The Office of the Legislative Auditor in its most recent audit of the Montana Arts Council recommended that the Council and the Office of Budget and Program Planning convert the contract employees to state employees. The audit findings state that the council's contracted employees do not fit the criteria of an independent contractor as defined by state law.

> Section 39-71-120, MCA, defines an independent contractor as follows: An "independent contractor" is one who renders service in the course of an occupation and:
>
> (1) has been and will continue to be free from control or direction over the performance of the services, both under his contract and in fact; and
>
> (2) is engaged in an independently established trade, occupation, profession, or business.

Although the council concurred with the recommendation of the Legislative Auditor, the agency did not submit a modified request to convert the positions to state employees. Table 2 shows the cost to convert the positions in this program. The conversion adds 1.9 FTE overall. However, these costs reflect the deletion of the 0.10 FTE program specialist I and the reduction of the secretary position to a 0.50 FTE to allow the addition of: a 0.50 FTE grade 12 public information officer, a 0.50 FTE grade 16 deputy director/accountant, a 0.50 FTE grade 9 documents processor, and a 1.0 FTE grade 6 receptionist. The contract positions have been budgeted under grants from federal sources in the past with the obvious implication that they are funded with federal funds. If these contract positions are added as FTE, they should continue as federally funded employees. The current level contracted services of $20,109 does not include a contract communications coordinator costing $8,232 in fiscal 1986, as this contract position was above the fiscal 1986 authorized amount.

Table 2
Cost to Convert Contracted Employees to State Employees

	Fiscal 1988	Fiscal 1989
Added FTE	1.90	1.90
Additional Personal Services Costs	$ 37,281	$ 37,212
Contracted Services Savings	(20,109)	(20,109)
Cost to Convert Employees	$ 17,172	$ 17,103

The additional costs shown in Table 2 should be funded using federal funds from the National Endowment for the Arts basic state grant.

Option A: Approve the conversion of the contract FTE to state employees and fund them using federal funds of $17,172 in fiscal 1988 and $17,103 in fiscal 1989.

Option B. Take no action.

GRANTS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
State Sources	$501,498	$767,847	$543,639	$553,334	(13.6)
Federal Sources	168,668	128,171	126,527	116,832	(13.0)
Non-Operating Costs	$670,166	$896,018	$670,166	$670,166	(14.4)
Fund Sources					
General Fund	$ 20,000	$ 20,000	$ 20,000	$ 20,000	0.0
State Special	481,498	747,847	525,062	534,755	(13.8)
Federal Revenue	168,668	128,171	125,104	115,411	(19.0)
Total Funds	$670,166	$896,018	$670,166	$670,166	(14.4)

All grant activity administered by the Montana Arts Council is recorded in this program. There are several types of grants, including: (1) community arts projects; (2) those projects initiated from either the council or by the grant recipient; and (3) projects funded by the cultural and aesthetic project funds and approved by the legislature.

Grants are included at the fiscal 1986 expenditure level but decrease 14.4 percent from the 1987 biennium to the 1989 biennium because the fiscal 1987 appropriation level exceeds the available coal tax and federal funds. General fund of $20,000 each year has been included at the fiscal 1986 and 1987 levels. As a result of House Bill 15, passed during the June 1986 special session, the park acquisition trust will not receive any coal tax funds in fiscal years 1987 through 1989. Therefore, the principal of the trust fund will not grow and cultural and aesthetics funds which come from interest earned on the trust are dependent upon how the Board of Investments splits the fund between short and long-term interest investments. The Office of the Legislative Fiscal Analyst projects total biennium earnings of $1,160,000. The current level includes $1,096,973 of coal tax interest earnings, leaving a fund balance of $63,030 as a contingency. Federal funds are expected to decline from the current biennium amount of $726,183 to $664,800 in the 1989 biennium, an 8.5 percent decrease. However, the Promotion of the Arts Program and the Special Projects programs will require $146,928 and $276,884 respectively, leaving a reduced balance for grants.

SPECIAL PROJECTS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	3.40	3.40	1.90	1.90	1.50
Personal Service	$ 41,402	$ 40,532	$ 37,802	$ 37,854	(7.7)
Operating Expense	219,325	199,750	215,449	215,435	(2.8)
Equipment	1,245	-0-	-0-	-0-	(100.0)
Total Operating Costs	$261,972	$240,282	$253,251	$253,289	(0.9)
Non-Operating Costs	-0-	23,014	-0-	-0-	(100.0)
Total Expenditures	$261,972	$263,296	$253,251	$253,289	(3.6)
Fund Sources					
General Fund	$ 38,306	$ 36,784	$ 34,435	$ 19,165	(28.6)
State Special	49,219	33,304	18,577	18,579	(55.0)
Federal Revenue	140,247	143,238	130,789	146,095	(2.3)
Private Revenue	34,200	49,970	69,450	69,450	65.0
Total Funds	$261,972	$263,296	$253,251	$253,289	(3.6)

ISSUES:	- - - - - Fiscal 1988 - - - - - General Fund	Other Funds	- - - - - Fiscal 1989 - - - - - General Fund	Other Funds
1. Convert contracted employees to state employees	$ -0-	$1,252	$ -0-	$1,083

Activities in the Special Projects Program include the Artist-in-the Schools program (AIS), community arts, special project administration, and the Montana Folklife Project.

Personal services decrease 7.7 percent after adjusting for the FTE in the Montana Folklife Project. Operating costs decrease 2.8 percent after reducing the folklife project expenditures funded from cultural and aesthetics funds and adding expenditures for AIS dance and drama supported by community match fund in the 1987 biennium. Non-operating costs which were budgeted to provide contract positions for special projects were not expended in this category in fiscal 1986 and are included in operating costs in the current level budget.

Community matching funds for AIS dance and drama were not appropriated previously. Due to a recommendation by the Office of the Legislative Auditor, the council is requesting the inclusion of these funds in the 1989 biennium.

Current Level Adjustments

A 1.0 FTE folklorist in the folklife project and the associated operating costs of $10,746 were removed from the base. A 0.50 accountant left vacant in fiscal 1986 is deleted. The base was also reduced $26,314 to the fiscal 1986 authorized level while operating costs of $18,577 associated with the coal tax administration are left in the base. Contracted services have been increased $35,250 to add the drama and dance portion of the community match to the AIS program, while $6,200 was reduced by the agency for a net increase of $29,050.

General fund decreases 28.6 percent in the 1989 biennium as available federal funds replace general fund in support of administrative costs. General fund for the AIS program is maintained at the fiscal 1986 level of $15,143. State special revenue cultural and aesthetics funds are included at $18,577 in fiscal 1988 and $18,579 in fiscal 1989 for administration of the coal tax funds. Community matching funds increase from $34,200 expended in fiscal 1986 and $49,970 appropriated in fiscal 1987 to $69,450 in each year of the 1989 biennium. All available federal funds are used in this program. However, they still decrease 2.3 percent as total available federal funds decline.

ISSUE 1: CONVERT CONTRACT EMPLOYEES TO STATE EMPLOYEES

The agency has contracted for employees through the Montana Institute of the Arts Foundation for services that are a normal part of the council's business. The Office of the Legislative Auditor in its most recent audit of the Montana Arts Council recommended that the Council and the Office of Budget and Program Planning convert the contract employees to state employees. The audit findings state that the council's contracted employees do not fit the criteria of an independent contractor as defined by state law.

Section 39-71-120, MCA, defines an independent contractor as follows:

An "independent contractor" is one who renders service in the course of an occupation and:

(1) has been and will continue to be free from control or direction over the performance of the services, both under his contract and in fact; and

(2) is engaged in an independently established trade, occupation, profession, or business.

Although the council concurred with the recommendation of the Legislative Auditor, the agency did not submit a modified request to convert the positions to stateemployees. Table 3 shows the cost to convert the positions in this program. The conversion adds 1.57 FTE overall. However, these costs reflect the deletion of the 0.90 FTE program specialist I and a 1.0 FTE administrative aide III position to allow the addition of: a 1.0 FTE grade 13 artists services director, a 1.0 FTE grade 13 organization services director, a 1.0 FTE grade 12 microcomputer operator, and a 0.47 FTE grade 6 general office clerk.

Table 3
Cost to Convert Contracted Employees to State Employees

	Fiscal 1988	Fiscal 1989
Added FTE	1.57	1.57
Additional Personal Services Costs	$ 39,494	$ 39,295
Contracted Services Saving	(38,242)	(38,212)
Cost to Convert Employees	$ 1,252	$ 1,083

The additional costs shown in Table 3 can be funded using federal funds from the National Endowment for the Arts basic state grant.

Option A: Approve the conversion of the contract FTE to state employees and fund them using federal funds of $1,252 in fiscal 1988 and $1,083 in fiscal 1989.

Option B: Take no action.

HISTORICAL SOCIETY
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Biennium Total Funds
Executive Budget	47.38	$2,234,576	$5,339,900
LFA Current Level	49.05	2,276,725	5,073,313
Executive Over (Under) LFA	(1.67)	$ (42,149)	$ 266,587

The executive budget general fund is under the LFA current level by $42,149 and exceeds LFA current level by $266,587 in total funds. The executive is recommending 1.67 FTE below LFA current level. The following issues reflect the major differences between the executive budget and LFA current level.

ADMINISTRATION

ISSUE 1: PERSONAL SERVICES

The executive deleted a 0.50 stock clerk supervisor and a 0.12 publicity specialist that remain in the LFA current level at a cost of $26,084 over the biennium.

ISSUE 2: MICROCOMPUTER UPGRADE

The executive budget includes a modified request to upgrade the existing microcomputer system. The upgrade will cost $10,000 funded by private donations. The LFA current level does not include this modified request.

MUSEUM

ISSUE 3: PERSONAL SERVICES

The executive budget deletes a 1.0 FTE curator while the LFA current level deletes a vacant 1.0 FTE carpenter and a vacant 0.50 FTE graphic arts technician. The executive budgeted personal services cost $28,982 more over the biennium than the LFA current level.

ISSUE 4: MODIFIED REQUESTS

The executive budget includes $90,160 of federal/private funds for artifact conservation and museum exhibit renovation projects that are not included in the LFA current level.

ISSUE 5: OPERATING EXPENSE INCREASE ABOVE BASE

The executive budget includes $11,900 each year for contracted photographic services, typesetting, and printing above the fiscal 1986 expenditure level. These increases are not included in the LFA current level.

MAGAZINE

ISSUE 6: MODIFIED REQUESTS FOR MAGAZINE PROMOTION AND CENTENNIAL INCREASE

The executive budget includes $50,000 in fiscal 1988 and $85,000 in fiscal 1989 to: 1) promote awareness of the Western History Magazine; 2) increase authority for the operating of the museum store during the centennial; and 3) expand the centennial press. The LFA current level does not include these modified requests.

ISSUE 7: PRINTING COSTS

The executive budget adds printing costs of $18,000 that are not included in LFA current level.

PHOTOGRAPH ARCHIVES

ISSUE 8: TRAVEL COSTS AND EQUIPMENT

The executive budget includes $1,984 more for travel and $1,200 more for equipment costs than the LFA current level. The executive budget increases out-of-state travel while the LFA current level includes the fiscal 1986 expenditure level.

HISTORIC SITES PRESERVATION

ISSUE 9: PERSONAL SERVICES

The executive budget deletes a 0.50 FTE historic preservation office position which is retained in the LFA current level costing $26,573 over the biennium.

ISSUE 10: OPERATING EXPENSE

The executive budget includes operating costs $14,366 above LFA current level. This difference results from reducing the LFA current level base to the fiscal 1986 authorized level in all expenditure categories except contracted services which had consultant travel reduced.

ARCHIVES

ISSUE 11: MODIFIED REQUEST FOR ADVISORY COUNCIL TRAVEL

The executive budget includes a modified request to use federal funds for the Montana Historical Records Advisory Council to attend three meetings per year at a cost of $2,500 per year. The LFA current level does not include this modified request.

ISSUE 12: MODIFIED REQUEST FOR MICROFILMING

The executive budget includes $8,000 general fund each year to microfilm selected state records. The LFA current level does not include this modified request.

EDUCATION

ISSUE 13: ELIMINATION OF THE CAPITOL TOURS

The executive budget eliminates the capitol tours program with the deletion of 1.5 FTE. The LFA current level reduces a 0.75 FTE administrative assistant to a 0.40 FTE and a 0.75 tour guide to a 0.65 FTE. The LFA current level personal service cost is $31,047 for the biennium.

HISTORICAL SOCIETY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	55.00	51.00	49.05	49.05	(1.95)
Personal Service	$1,202,856	$1,154,544	$1,179,558	$1,179,427	0.1
Operating Expense	658,192	717,457	717,043	674,845	1.2
Equipment	509,105	22,308	9,900	9,900	(96.3)
Total Operating Costs	$2,370,153	$1,894,309	$1,906,501	$1,864,172	(11.6)
Non-Operating Costs	357,376	610,000	651,320	651,320	34.6
Total Expenditures	$2,727,529	$2,504,309	$2,557,821	$2,515,492	(3.0)
Fund Sources					
General Fund	$1,204,091	$1,081,939	$1,142,944	$1,133,781	(0.4)
State Special	188,372	-0-	-0-	-0-	(100.0)
Federal Revenue	900,347	1,060,461	1,003,145	971,095	0.7
Proprietary Funds	434,719	361,909	411,732	410,616	3.2
Total Funds	$2,727,529	$2,504,309	$2,557,821	$2,515,492	(3.0)

The Montana Historical Society was established in 1865. Its purpose is to acquire, preserve, and protect historical records, art archival and museum objects, historical places, and sites and monuments for the use and enjoyment of the citizens of Montana. The Montana Historical Society was funded with approximately 43 percent general fund in the 1987 biennium. The current level is approximately 45 percent general fund. Other funds consist of donations, federal funds, and proprietary or enterprise funds from sales in the gift store and sales of the agency's quarterly magazine.

The agency's FTE decrease by 1.95 FTE from the 1987 biennium to the 1989 biennium. An administrative assistant was reduced from a 0.75 to a 0.40 FTE and a tour guide was reduced from a 0.75 to a 0.65 FTE. These reductions resulted in the elimination of half of the capitol tours activity. Also, a 1.0 FTE carpenter and 0.50 FTE graphic arts technician were deleted.

Operating expenses increase 1.2 percent over the 1987 biennium primarily in the museum program to hire a consultant historian to conduct research and write exhibit script for the new major Montana history exhibit. Non-operating expenses increase 34.6 percent from the 1987 biennium to the 1989 biennium. This increase is for grants of federal preservation funds to local governments for surveying of and planning for historic structures and sites. Non-operating expenses also include transfers as a result of management memo 2-86-5, which requires that all expenditures be recorded as a transfer into the proprietary account. This is to show the total cost of providing a service and the extent to which user charges and sales cover the cost.

The general fund decreases 0.4 percent from the 1987 biennium to the 1989 biennium. The state special revenue in fiscal 1986 was coal tax interest earnings appropriated in House Bill 961 for the purchase of the Great Falls Elks Lodge's Charles M. Russell collection of letters, paintings, and sketches. Federal and other funds increase 0.7 percent. Donated funds decrease primarily as a result of removing budget amended expenditures funded with donations in fiscal 1986. Proprietary funds increase 3.2 percent.

ADMINISTRATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	12.50	12.50	12.50	12.50	0.00
Personal Service	$280,276	$276,908	$294,543	$294,675	5.7
Operating Expense	126,954	181,696	215,831	208,170	37.4
Equipment	486,176	-0-	-0-	-0-	(100.0)
Total Operating Costs	$893,406	$458,604	$510,374	$502,845	(25.0)
Non-Operating Costs	60,667	-0-	-0-	-0-	(100.0)
Total Expenditures	$954,073	$458,604	$510,374	$502,845	(28.3)
Fund Sources					
General Fund	$508,437	$386,545	$448,006	$440,361	(0.7)
State Special	150,000	-0-	-0-	-0-	(100.0)
Federal Revenue	291,086	72,059	62,368	62,484	(65.6)
Other Funds	4,550	-0-	-0-	-0-	(100.0)
Total Funds	$954,073	$458,604	$510,374	$502,845	(28.3)

The Administration Program is responsible for purchasing, accounting and budgeting, personnel, and overall management of the Historical Society. Funding in the 1989 biennium is provided from the general fund private donations, and from federal site preservation funds.

Personal services increase 5.7 percent as a result of vacancy savings of $5,765 in fiscal 1986 and cuts of $22,644 made in fiscal 1987. The Governor's cuts amounted to $1,000 in fiscal 1986 and $9,898 was cut by the legislature in Special Session III for fiscal 1987. These amounts, combined with the unfunded fiscal 1987 pay plan, account for nearly all the difference from the 1987 biennium to the 1989 biennium.

Operating expenses increase 37.4 percent almost entirely due to the increase in rent resulting from the addition completed in fiscal 1986. The increase over fiscal 1986 amounts to $76,586 in fiscal 1988 and $81,751 in fiscal 1989. The purchase of the Russell collection was coded to equipment. There is no equipment included in this program for the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	12.50	12.50	0.00
Personal Service	$288,294	$280,276	$ 8,018
Operating Expense	147,358	126,954	20,404
Equipment	3,524	4,176	(652)
Total Expenditures	$439,176	$411,406	$ 27,770
Funding			
General Fund	$368,802	$358,437	$ 10,365
Federal & Private	70,374	52,969	17,405
Total Funding	$439,176	$411,406	$ 27,770
Additions			
HB 961 Russell Purchase			
General Fund	$150,000	$150,000	$ -0-
State Special	150,000	150,000	-0-
Private Donation	182,000	242,667	(60,667)
Total Additions	$482,000	$542,667	$(60,667)

The Administration Program personal services savings resulted primarily from a vacancy for nearly half of fiscal 1986 in the publicity specialist position.

Operating savings were realized in contracted services, $18,214, travel, $4,772, and rent, $4,804, and were offset by expenditures in excess of the budget in communications, $2,286, repair and maintenance, $1,690, and other expense, $5,320. The contracted service savings were due to unexpended biennial legislative audit fees of $9,300 and unused contract printing of $8,100. The program traveled out-of-state less than anticipated saving $4,772, and spent $4,804 less on building rent in this program than was anticipated. Long distance charges make up the overexpenditure in communications while maintenance contracts were the overexpenditure in repairs and maintenance. Other expenditures were exceeded for dues and subscriptions and for scholarships and fellowships as well as public relations expenses. The program overspent its equipment budget by $652.

The general fund realized $10,365 in savings after the Governor's 2 percent cut of $1,000 was applied to this program. Of the $70,374 donated funds appropriated to

this program, only $22,281 was spent. The remaining $30,688 of donation spending authority used was funded by: 1) historical sites preservation funds of $26,188; 2) Bradley trust dividend income of $2,000; and 3) general trust fund income of $2,500.

The program completed the purchase of the Great Falls Elks Lodge Charles M. Russell collection of letters, paintings, and sketches as authorized and appropriated in House Bill 961. The program used $150,000 of general fund, $150,000 from the cultural and aesthetics account and the balance from private donations.

Current Level Adjustments

Insurance costs increase $3,776 each year based on quotes from the Department of Administration. Payroll service fees increase $1,131 for non-general fund positions based on quotes from the State Auditor's Office. Legislative audit fees are included in this program at $13,140. Data processing costs are increased $3,001 in fiscal 1988 and $3,267 in fiscal 1989 based on estimates from the Department of Administration Computer Services Division. Due to completion of the addition to the Historical Society building the Department of Administration building rent increases $76,586 in fiscal 1988 and $81,751 in fiscal 1989.

General fund increases 19.2 percent after adjusting for the $150,000 spent in fiscal 1986 for the C.M. Russell purchase. Private donations funding of this program increases 3.6 percent to $35,254 in fiscal 1988 and $35,196 in fiscal 1989 after adjusting for the $242,666 spent on the C.M. Russell purchase in fiscal 1986. Federal historical preservation operating funds are included at approximately $27,000 each year.

LIBRARY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	7.00	5.00	5.00	5.00	0.00
Personal Service	$155,682	$116,496	$128,049	$128,428	(5.8)
Operating Expense	40,004	43,261	35,147	35,147	(15.6)
Equipment	12,764	20,917	9,900	9,900	(41.2)
Total Expenditures	$208,450	$180,674	$173,096	$173,475	(10.9)
Fund Sources					
General Fund	$150,653	$147,041	$150,653	$150,653	1.2
Federal Revenue	57,797	33,633	22,443	22,822	(50.5)
Total Funds	$208,450	$180,674	$173,096	$173,475	(10.9)

The Montana Historical Society Library collects, preserves, organizes, and makes accessible to the public, published material concerning the history of Montana and the surrounding region.

Personal services decrease 5.8 percent from the 1987 biennium to the 1989 biennium because the two librarian FTE are deleted after fiscal 1986. Operating expense decreases 15.6 percent because of completion of the newspaper cataloging project funded in fiscal 1986. Equipment decreases 41.2 percent into the 1989 biennium. However, $9,900 is included each year for the acquisition of books.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 2
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	5.00	7.00	(2.00)
Personal Service	$121,462	$155,682	$(34,220)
Operating Expense	91,368	40,004	51,364
Equipment	14,657	12,764	1,893
Total Expenditures	$227,487	$208,450	$ 19,037
Funding			
General Fund	$151,230	$150,653	$ 577
Federal and Private	76,257	57,797	18,460
Total Funds	$227,487	$208,450	$ 19,037

Personal services are overexpended by $34,220. This results from adding 2.0 FTE librarians to complete the newspaper cataloging. The agency reallocated $40,577 from contracted services to hire these FTE. Additional savings were achieved in operating costs over and above those used to fund the librarian positions. These savings were in contracted services, supplies and equipment for an overall net savings of $19,037.

Only $577 savings accrued to the general fund while the program spent $18,640 less of donated funds than authorized because actual donations did not equal those authorized.

Current Level Adjustments

The two librarian FTE associated with the cataloging project have been deleted, returning the FTE level back to that authorized by the 1985 legislature.

Operating costs are decreased in contracted services by $2,876 for one-time microfilm costs. Travel costs were reduced to the previous three year average for a total reduction of $981. Rental costs for photocopy equipment were reduced $1,000 to the fiscal 1984 and 1985 expenditure levels. Library books are included in equipment for $9,900 each year.

General fund is included at the fiscal 1986 level of $150,653 for a biennium increase of 1.2 percent. The decrease in donated funds reflects the fiscal 1986 funding of the cataloging project which is not continued in the 1989 biennium. Library photocopy funds generated from photocopying historical papers, pictures, and other articles are included at $13,180 each year of the biennium.

MUSEUM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	9.50	9.50	8.00	8.00	(1.5)
Personal Service	$164,738	$213,037	$186,365	$186,194	(1.4)
Operating Expense	95,283	113,910	107,136	77,214	(11.9)
Equipment	5,589	-0-	-0-	-0-	(100.0)
Total Expenditures	$265,610	$326,947	$293,501	$263,408	(6.0)
Fund Sources					
General Fund	$211,847	$216,633	$213,231	$213,098	(.5)
Federal Revenue	53,763	110,314	80,270	50,310	(20.4)
Total Funds	$265,610	$326,947	$293,501	$263,408	(6.0)

The Museum Program is responsible for collecting, preserving, and interpreting art and artifacts representative of Montana's past. The museum renovation is now completed and the C.M. Russell collection has been acquired from the Great Falls Elks Lodge. This program is supported with general fund and private donations.

Personal services decrease 1.4 percent from the 1987 biennium to the 1989 biennium after deleting a vacant 1 FTE carpenter and a vacant 0.5 FTE graphic arts technician. Operating expense decreases 11.9 percent as a result of winding up the museum renovation project which began in the 1987 biennium and continues into fiscal 1988.

General fund remains nearly the same in the 1989 biennium while donations decrease 20.4 percent. This reduction results from deleting 1.5 vacant FTE associated with the renovation of the museum.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	9.50	9.50	0.00
Personal Service	$211,235	$164,738	$46,497
Operating Expense	112,085	95,283	16,802
Equipment	-0-	5,589	(5,589)
Total Expenditures	$323,320	$265,610	$57,710
Funding			
General Fund	$213,098	$211,847	$ 1,251
Federal & Private	110,222	53,763	56,459
Total Funds	$323,320	$265,610	$57,710

Personal services savings totaled $46,497 in fiscal 1986 because a 1.0 FTE carpenter and a 0.50 FTE graphics arts technician position were left vacant all year, and a research aide position was vacant nearly half the year. The operating expense savings was achieved in supplies, where renovation supplies and materials were underspent by $43,479. This savings was offset by excess expenditures in contracted services of $23,502, communications of $1,250, travel of $1,966, rent of $220, and repairs of $315. Other minor savings amounted to less than 1 percent. The museum spent $5,589 on equipment for which they were not budgeted.

General fund savings amounted to $1,251 after the Governor's cuts of $9,000. The donated funds did not materialize as anticipated. Therefore, the program spent $56,459 less than the authorized.

Current Level Adjustments

Personal services decrease 1.4 percent from the 1987 biennium to the 1989 biennium as a result of deleting the vacant carpenter and graphic arts technician positions. The remaining 1.0 FTE added by the 1985 legislature for the museum renovation is funded with private donations.

Contracted services were increased $20,124 to $74,600 in fiscal 1986 to hire consultants to prepare the museum and exhibits for the centennial project. Contracted services are reduced to $44,600 in fiscal 1989. Supplies were reduced $5,100 for one-time expenditures while travel was reduced $2,073 to the fiscal 1986 authorized level. Other minor adjustments amounted to less than 1 percent. Museum renovation operating costs of approximately $55,000 in fiscal 1988 and $25,000 in fiscal 1989 are included above current level to complete the project. These costs are funded from private donations. Photocopying funds are included at $3,000 each year of the biennium.

PUBLICATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	6.00	6.00	6.00	6.00	0.00
Personal Service	$135,935	$135,974	$133,842	$133,571	(1.7)
Operating Expense	292,047	265,893	277,890	277,045	(0.5)
Equipment	2,190	-0-	-0-	-0-	(100.0)
Total Operating Costs	$430,172	$401,867	$411,732	$410,616	(1.2)
Non-Operating Costs	41,320	-0-	41,320	41,320	100.0
Total Expenditures	$471,492	$401,867	$453,052	$451,936	3.6
Fund Sources					
General Fund	$ 41,323	$ 39,958	$ 41,320	$ 41,320	1.7
Proprietary Fund	430,169	361,909	411,732	410,616	3.8
Total Funds	$471,492	$401,867	$453,052	$451,936	3.6

The Magazine Program is responsible for publishing Montana, the Magazine of Western History, society sponsored quarterlies, books, brochures, catalogs, prints, and other publications. Additionally, this program is responsible for the operation of the society's museum store and merchandising program.

General fund is included to fund 22.8 percent of the cost of publishing Montana, the Magazine of Western History. The remainder is financed from magazine sales estimated at $139,843 in fiscal 1988 and $140,289 in fiscal 1989. Proprietary authority of $31,042 is provided each year of the biennium for publications and $199,081 in fiscal 1988 and $199,009 in fiscal 1989 is provided for the operation of the merchandising activities. The magazine sales proprietary account has been increased $41,320 each year to reflect the requirements of management memo 2-86-5. Management memo 2-86-5 states: The reporting of a proprietary operation's activity within one fund is essential for readers to determine the total cost of providing that service and the extent to which user charges cover that cost. Therefore, amounts provided to proprietary funds from other funds should be classified in accordance with the inter-entity transaction provisions discussed in Management Memo 2-83-3.

Personal services decreases 1.7 percent because the program converted one grade 10 FTE to a grade 12 and one grade 10 FTE to a grade 5. The net result is an overall reduction to personal services of approximately $4,500 or 1.7 percent. Operating costs remain nearly the same into the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	6.00	6.00	0.00
Personal Service	$137,365	$130,726	$ 6,639
Operating Expense	266,230	266,588	(358)
Equipment		1,770	(1,770)
Total Operating Costs	$403,595	$399,084	$ 4,511
Funding			
General Fund	$ 41,320	$ 41,323	$ (3)
Merchandising	150,027	150,666	(639)
Magazine	139,287	139,129	158
Publications	72,961	67,966	4,995
Total Funds	$403,595	$399,084	$ 4,511
Additions:			
Budget Amendments & Transfers Proprietary	$ 83,320	$ 72,408	$ 10,912

This program achieved overall savings of approximately $4,500 after adjusting for budget amendments and program transfers. The program requested and received budget amendments in the magazine program for additional subscriptions from the Western History Association and for expanded sales in the merchandising program.

There were two positions vacant for a part of fiscal 1986 resulting in a savings of $6,639. The program expended $1,770 on equipment that was not budgeted. The merchandising appropriation was overexpended $639 while the magazine appropriation was $158 under expended and the publications fund was $4,995 under the authorized because revenues were not generated by the program.

Current Level Adjustments

Legislative audit costs of $1,080 are included in fiscal 1988 with the merchandising program paying $634 while the magazine program pays the $446 remaining balance. Professional contracts were increased $3,130 each year of the biennium for the merchandising operations, promotions, and the publishing program for manuscript development. Graphics arts/typesetting was increased $5,000 for typesetting brochures, promotional material signs, mailing labels, and other printed

items associated with marketing the magazine, books, and museum store goods. The inventory adjustment of a negative $2,290 was zeroed-out, which has the effect of increasing total expenses.

Actual total operating costs decrease 1.2 percent from the 1987 biennium primarily due to the decrease in personal services of 1.7 percent. This decrease results from the net difference after changing one grade 10 FTE to a grade 12 and one grade 10 FTE to a grade 5. General fund is included at the fiscal 1986 level for both years of the 1989 biennium, while proprietary funds decline 3.6 percent based on estimated revenue from merchandise and magazine sales.

HISTORIC SITES PRESERVATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	7.00	7.00	7.00	7.00	0.00
Personal Service	$169,537	$165,176	$181,301	$181,078	8.3
Operating Expense	49,569	57,817	39,886	36,107	(29.2)
Equipment	915	-0-	-0-	-0-	(100.0)
Total Operating Costs	$220,021	$222,993	$221,187	$217,185	(1.0)
Non-Operating Costs	255,389	610,000	610,000	610,000	41.0
Total Expenditures	$475,410	$832,993	$831,187	$827,185	26.7
Fund Sources					
General Fund	$ 74,650	$ 72,340	$ 64,161	$ 62,097	(14.1)
Federal Revenue	400,760	760,653	767,026	765,088	31.9
Total Funds	$475,410	$832,993	$831,187	$827,185	26.7

This program is responsible for implementing the National Historic Preservation Act and the State Antiquities Act. Activities include nominating sites to the National Register, reviewing tax certification projects, administering federal grants-in-aid, reviewing federal projects to determine and comment on any impacts to historic and cultural properties, and coordination with local governments, state agencies, and the public on matters relating to historic preservation.

The general fund support of operating costs in this program decreases from 34 percent of total operating costs to 29 percent in the 1989 biennium as overall costs decrease and estimated federal historic preservation operating funds increase.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 5
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	7.00	7.00	0.00
Personal Service	$167,118	$169,537	$ (2,419)
Operating Expense	59,207	46,569	12,638
Equipment	-0-	915	(915)
Total Operating Costs	$226,325	$217,021	$ 9,304
Non-Operating Costs	595,000	255,389	339,611
Total Expenditures	$821,325	$472,410	$348,915
Funding			
General Fund	$ 75,431	$ 74,650	$ 781
Federal Revenue	745,894	397,760	348,134
Total Funds	$821,325	$472,410	$348,915
Additions			
HB 565 Historic Highway Markers	$190,525	$ 3,000	$187,525

The program overspent their authorized personal services by $2,419 because of not realizing their budgeted vacancy savings of $7,211. The program had contracted services savings of $30,502 offset by overexpenditures in all other categories for an operating savings of $12,638. Only $255,389 of the historic preservation subgrants were expended in fiscal 1986 as federal funds did not materialize as anticipated, leaving a balance of $339,611 in federal non-operating authority.

The program had general fund savings of $781 after the Governor's cuts of $200. Federal funds did not materialize as anticipated. With total grant revenue of $423,953, of which $26,193 was transferred out to other programs, the actual revenue level was $348,134 under the authorized expenditure level. In addition, only $3,000 of the $190,525 authorized in House Bill 565 was spent in fiscal 1986 for historical highway markers.

Current Level Adjustments

Personal services increase 8.3 percent as a result of upgrades for 6 of the 7 positions in the program. Five FTE historic preservation officers were upgraded from grade 13 to grade 14 at a cost of $10,330 each year and 1 FTE historic preservation program manager at a cost of $2,419 each year or a biennial cost of $25,498. Two temporary FTE added by the 1985 legislature are retained in the 1989 biennium to continue to reduce the backlog of requests from communities seeking nomination of sites to the National Register of Historic Places.

Legislative audit fees of $3,780 are included in fiscal 1988 with 16 percent funded by general fund and 84 percent funded with federal funds, which is the proportion of general funds to total funds expended in fiscal 1986. Consultant travel was reduced $2,012, and office supplies were reduced $1,000 to levels expended in fiscal 1984 and 1985. Long distance charges were reduced $2,000 to the fiscal 1986 authorized level as were travel costs, which were reduced $3,000 overall. Maintenance was reduced $1,600 to the fiscal 1986 authorized level.

Grants were increased $354,611 to the requested level of $610,000. This provides for regrants to local governments for historic site preservation. This level coincides with the fiscal 1987 authorized level.

General fund decreases 14.1 percent from the 1987 biennium to the 1989 biennium while federal funds increase 31.9 percent. Federal funds increase primarily due to the low level of expenditure on grants in fiscal 1986 and the increase in estimated operating funds available in the federal grant based on the agency's request.

ARCHIVES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	11.00	8.50	5.00	5.00	(3.5)
Personal Service	$251,380	$246,853	$120,391	$120,452	(51.7)
Operating Expense	33,664	30,819	10,014	10,017	(68.9)
Equipment	1,471	3,118	-0-	-0-	(100.0)
Total Expenditures	$286,515	$280,790	$130,405	$130,469	(54.0)
Fund Sources					
General Fund	$199,395	$205,246	$130,405	$130,469	(35.5)
State Special	38,372	57,570	-0-	-0-	(100.0)
Federal Revenue	48,748	17,974	-0-	-0-	(100.0)
Total Funds	$286,515	$280,790	$130,405	$130,469	(54.0)

The Archives Program is responsible for collecting, preserving, organizing, and making accessible to the public, unpublished material relevant to Montana's history.

Also included in this program is the oral history project funded from cultural and aesthetic project grant funds. The general fund provides nearly 91 percent of the funding for this program with the remainder of the funding from private donations.

This program decreases 54 percent from the 1987 biennium for two reasons. First, the agency has split the Archives Program into two programs, with the other program set up specifically for photographs and related material. This split reduces FTE in this program by 3.5 to 5 FTE. The second reason results from not including oral history funds in the 1989 biennium that were appropriated in the 1987 biennium through House Bill 933.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 6
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	8.50	9.50	(1.00)
Personal Service	$202,956	$214,087	$(11,131)
Operating Expense	61,574	32,868	28,706
Equipment	500	1,184	(684)
Total Expenditures	$265,030	$248,139	$ 16,891
Funding			
General Fund	$202,262	$199,391	$ 2,871
Private Donations	25,000	21,915	3,085
Photograph Program	17,768	12,148	5,620
Federal	20,000	14,685	5,315
Total Funds	$265,030	$248,139	$ 16,891
Additions			
HB938 Oral History	$ 95,937	$ 38,372	$ 57,565

The program overexpended their authorized personal services by $11,131. This results from adding 1 unauthorized FTE for the Holter project. This was mitigated somewhat by vacancies in two authorized positions, which generated approximately $10,500 in savings.

Operating costs were underspent $28,706 primarily in contracted services. Two projects were authorized and funded in contracted services for fiscal 1986. One was the development of a handbook for local governments on preserving and organizing records and the other was the cataloging of the Holter collection.

The program had general fund savings of $2,871 in addition to the Governor's cuts of $8,111. The Holter project, funded with a private donation of $25,000, was completed with a balance of $3,085. All available photograph program funds were spent, leaving $5,620 excess authority. The federal grant for local government records has a remaining balance of $5,315. The program spent $38,372 of the oral history project biennial appropriation, which added 1.5 FTE.

Current Level Adjustments

Personal services decrease 51.7 percent with the transfer of 3.5 FTE to the new Photographic Archives Program and the elimination of 1.0 FTE. Operating costs decrease 68.9 percent with the completion of the special projects in the 1987 biennium and the transfer of the Photographic Archives Program operating costs.

General fund decreases 35.5 percent for this program. Photograph program funds are transferred to the Photograph Archives Program. The Holter funds were provided for a one-time project and are not continued in the 1989 biennium. The federal funds for development of a local government handbook were for the 1987 biennium only.

PHOTOGRAPH ARCHIVES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	0.00	0.00	3.50	3.50	N/A
Personal Service	$ -0-	$ -0-	$87,208	$87,248	N/A
Operating Expense	-0-	-0-	11,381	11,383	N/A
Total Expenditures	$ -0-	$ -0-	$98,589	$98,631	N/A
Fund Sources					
General Fund	$ -0-	$ -0-	$80,989	$81,631	N/A
Federal Revenue	-0-	-0-	17,600	17,000	N/A
Total Funds	$ -0-	$ -0-	$98,589	$98,631	N/A

The Photograph Archives Program is a new program split off from the Archives Program. The program exists to collect, organize, preserve, and make accessible to the public photographic images and other iconographic material pertinent to the study of Montana history, and to provide support for exhibitions and publications of the Society and others using such images.

The program has 1.0 FTE archivist, a 1.0 FTE photographer, a 0.50 FTE Library clerk, and a 1.0 FTE library technician. All positions were previously in the Archives Program. The program is funded primarily with general fund, with the balance from a small amount of the society's private donations. The program

increases 5.8 percent from fiscal 1986 to fiscal 1988 with no increase in general fund. Private donations support increases 45 percent or $5,456 in fiscal 1988. General fund increases $642 from fiscal 1988 to fiscal 1989, while private donations decrease $600. Total costs increase $42.

EDUCATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	2.50	2.50	2.05	2.05	(0.45)
Personal Service	$45,308	$42,126	$47,859	$47,781	9.4
Operating Expense	20,671	38,091	19,758	19,762	(32.7)
Total Expenditures	$65,979	$80,217	$67,617	$67,543	(7.5)
Fund Sources					
General Fund	$17,786	$14,389	$14,179	$14,152	(11.9)
Federal Revenue	48,193	65,828	53,438	53,391	(6.3)
Total Funds	$65,979	$80,217	$67,617	$67,543	(7.5)

This program is responsible for providing exhibits and materials using society resources and expertise to schools, museums, libraries, and other public institutions throughout the state. Capitol tours are also administered through this program. Personal services increase in the 1989 biennium even though the FTE are reduced by 0.45. This increase results from the vacancy savings in fiscal 1986 and 5 percent cuts applied to fiscal 1987. Capitol tour brochures authorized in fiscal 1986 were not printed and are not included in the current level, which results in the decrease in operating expenses into the 1989 biennium. Funding for this program is provided by the general fund, private donations, and federal funds. General fund decreases 11.9 percent while private donations decrease 9.5 percent and federal funds increase 42.6 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 7
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	2.50	2.50	0.00
Personal Service	$48,796	$45,308	$ 3,488
Operating Expense	38,124	20,671	17,453
Total Expenditures	$86,920	$65,979	$20,941
Funding			
General Fund	$21,484	$17,786	$ 3,698
Private Donations	57,436	43,180	14,256
Federal	8,000	5,013	2,987
Total Funds	$86,920	$65,979	$20,941

Personal services were $3,488 under the authorized level after the Governor's cut of $3,200. These savings were generated in the information officer position and the tour guide position. Operating savings of $16,763 in contracted services and $400 in supplies were offset by over expenditures in communications, travel, and repairs.

The general fund savings are $3,698 after the Governor's cuts of $3,200. Private donations savings amounted to $22,256 from the authorized level. However, the program reduced donations authority and increased federal authority to allow for a federal grant from the Montana Committee for the Humanities to partially fund the annual Montana History Conference.

Current Level Adjustments

Personal services increase 9.4 percent even after reducing 0.45 FTE from the program. An administrative assistant was reduced from a 0.75 FTE to 0.40 FTE and a tour guide position was reduced from a 0.75 to a 0.65 FTE. These reductions saved approximately $9,600 each year. The balance of the increase is due to vacancy savings realized in fiscal 1986 and the cuts applied to personal services in the fiscal 1987 budget. Travel costs were decreased $750 to the fiscal 1985 expenditure level while other minor adjustments totalled $169.

General fund decreases 11.9 percent from the 1987 biennium to the 1989 biennium. Federal funds are included at $5,000 each year to help fund the annual Montana History Conference. Donated funds increase $5,257 from the fiscal 1986 actual to fiscal 1988. However, with the fiscal 1987 appropriated level of $63,828, total donated funds decrease 9.5 from the 1987 biennium to the 1989 biennium.

STATE LIBRARY COMMISSION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	27.50	$1,032,897	$3,282,910
LFA Current Level	27.50	1,077,954	3,083,697
Executive Over (Under) LFA	0.00	$(45,057)	$ 199,213

The executive budget is $45,057 under LFA current level general fund and $199,213 over LFA current level in total. The following issues reflect the major differences between the executive and LFA current level.

REFERENCE AND INFORMATION

ISSUE 1: OPERATING EXPENSE

The executive operating expenses are $18,322 above LFA current level. This difference occurs in contracted services, supplies and materials, and communications.

LIBRARY DEVELOPMENT

ISSUE 2: RURAL EDUCATION AND TRAINING MODIFIED

The executive budget adds 1.0 FTE to conduct an assessment of rural residents' needs for education and training programs. This modified, which includes operating costs, is funded at $41,811 in fiscal 1988 and $35,629 in fiscal 1989 by private donations. LFA current level does not include this modified request.

ISSUE 3: GRANTS

The executive budget includes $49,782 more in grants to the library federations than LFA current level.

TECHNICAL SERVICES

ISSUE 4: PERSONAL SERVICES

The executive deleted a grade 5 library clerk I position that remains in LFA current level at a general fund cost of $28,391 for the biennium.

ISSUE 5: OPERATING EXPENSE

The executive budget operating expenses are $23,061 above LFA current

level. This difference occurs in contracted services, supplies and materials, and communications.

NATURAL HERITAGE

ISSUE 6: MODIFIED REQUEST

The executive budget includes $11,500 of federal and private revenue in fiscal 1988 to conduct an inventory of riparian habitat as part of the Montana Rivers study in the Natural Heritage Program. LFA current level does not include this modified request.

ISSUE 7: OPERATING EXPENSES

The executive budget includes $57,600 in contracted services not included in either LFA current level or the agency budget request.

FUNDING

ISSUE 8: COAL SEVERANCE TAX

The executive budget includes $106,960 more coal severance tax revenue than LFA current level.

ISSUE 9: NATURAL HERITAGE STATE SPECIAL REVENUE

The executive budget includes $61,697 more state special revenue in the Natural Heritage Program than LFA current level.

ISSUE 10: KELLOGG FOUNDATION PRIVATE FUNDS

The executive budget includes $77,435 of private funds from the Kellogg Foundation to fund a modified request to conduct an assessment of rural education and training needs. This modified is not included in LFA current level.

ISSUE 11: GENERAL FUND

The executive budget is $45,057 under LFA current level general fund.

STATE LIBRARY COMMISSION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	26.60	25.50	27.50	27.50	2.00
Personal Service	$ 588,691	$ 569,239	$ 623,735	$ 623,235	7.7
Operating Expense	430,329	301,751	340,818	316,228	(10.2)
Equipment	114,084	97,494	110,041	91,514	(4.7)
Total Operating Costs	$1,133,104	$ 968,484	$1,074,594	$1,030,977	0.2
Non-Operating Costs	686,077	588,483	483,986	494,140	(23.3)
Total Expenditures	$1,819,181	$1,556,967	$1,558,580	$1,525,117	(8.7)
Fund Sources					
General Fund	$ 542,298	$ 524,096	$ 551,839	$ 526,115	1.1
State Special	528,391	423,866	354,119	321,380	(29.1)
Federal And Other	748,492	609,005	652,622	677,622	(2.0)
Total Funds	$1,819,181	$1,556,967	$1,558,580	$1,525,117	(8.7)

The Montana State Library provides direct library services to state government agencies, persons residing in state institutions, and to blind and physically handicapped residents of Montana. Indirect services are provided to all public libraries through grants to six regional library federations. The State Library serves as a partial federal depository and also collects state government publications. The library was also given statutory responsibility for the Natural Heritage Program by the Forty-Ninth Legislature through passage of House Bill 860.

Personal services increase 7.7 percent as a result of adding 2.0 FTE in the Natural Heritage Program who were budgeted in contracted services in the 1987 biennium. Operating costs decrease 10.2 percent due to a decline in coal tax revenues. Non-operating costs decrease 23.3 percent as a result of declining coal tax revenues.

Funding support for the library is provided from the general fund, an earmarked portion of the coal severance tax (0.38 percent) and federal funding available under the Library Services and Construction Act (LSCA). Funding for the Natural Heritage Program in the 1987 biennium was provided by state special revenue funds from the Department of Fish, Wildlife and Parks license fees, private funds from the Nature Conservancy, and a House Bill 922 appropriation of a grant from the Department of Natural Resources and Conservation Resource Indemnity Trust interest income.

The library is functionally divided into seven programs: Reference and Information, Library Development, Institutional Services, Handicapped Services,

Administration, Technical Services, and the Natural Heritage Program. Each program will be discussed in the narrative that follows. Table 1 compares the fiscal 1986 authorized and actual FTE to the 1989 biennium current level by program.

Table 1
Fiscal 1986 Authorized and Actual FTE Comparison to
1989 Biennium by Program

	Fiscal 1986		1989 Biennium	
Program	Authorized	Actual	FY 1988	FY 1989
Reference and Information	6.50	6.58	5.00	5.00
Library Development	3.00	3.54	4.00	4.00
Institutional Library	2.00	1.25	1.25	1.25
Services for Handicapped	5.00	4.88	4.75	4.75
Administration	4.00	4.00	4.00	4.00
Technical Services	5.00	5.25	6.50	6.50
Natural Heritage	0.00	1.10	2.00	2.00
Total Agency	25.50	26.60	27.50	27.50

The library has realigned the FTE complement among the programs with a net increase in the fiscal 1986 actual over authorized of 1.10 FTE. These additional FTE are in the Natural Heritage Program. The cost of these new positions was budgeted in fiscal 1986 in contracted services. The library has requested 2 FTE for the Natural Resources Information System in the 1989 biennium for a 0.9 FTE increase. There were numerous changes in the type and number of FTE in the other programs but in the overall analysis it has no significant budget impact.

Table 2 compares the library's funding by program for fiscal years 1986, 1988, and 1989.

Table 2
State Library Funding Comparison
Fiscal Years 1986, 1988, and 1989

	Ref. & Info.	Library Develop.	Instit. Program	Services for Handicap.	Admin. Prog.	Technical Services	Natural Heritage	Total
General Fund								
Fiscal 1986	$269,311	$ 34,658	$13,025	$54,544	$109,021	$ 61,739		$ 542,298
Fiscal 1988	214,273	65,334	3,496	52,982	133,730	82,024		551,839
Fiscal 1989	219,724	65,195	3,457	35,315	120,406	82,018		526,115
State Special Coal Tax								
Fiscal 1986	19,044	368,533				43,036		430,613
Fiscal 1988	14,483	210,121				20,864		245,469
Fiscal 1989	13,651	220,481				23,439		257,571
State Special Other								
Fiscal 1986							$ 97,778	97,778
Fiscal 1988							108,650	108,650
Fiscal 1989							63,809	63,809
Federal LSCA								
Fiscal 1986	87,739	397,155	40,496	85,118	37,847	35,485		683,840
Fiscal 1988	104,143	334,828	42,229	103,732	21,761	42,989		649,622
Fiscal 1989	104,143	334,787	42,244	103,765	21,761	42,922		649,622
Other								
Fiscal 1986	1,543				-0-		63,109	64,652
Fiscal 1988	-0-				3,000		-0-	3,000
Fiscal 1989	-0-	-0-	-0-	-0-	3,000	-0-	25,000	28,000
Total Funds								
Fiscal 1986	$377,637	$800,346	$53,521	$139,662	$146,868	$140,260	$160,887	$1,819,181
Fiscal 1988	$332,899	$610,283	$45,725	$156,714	$158,491	$145,818	$108,650	$1,558,580
Fiscal 1989	$337,518	$620,463	$45,701	$139,080	$145,167	$148,379	$ 88,809	$1,525,117

General fund for the agency in total increases 1.1 percent. Coal severance tax decreases dramatically as coal prices and production decline. Current revenue projections by the Office of the Legislative Fiscal Analyst estimate coal severance tax available for the State Library at $245,469 in fiscal 1988 and $257,571 in fiscal 1989. LSCA funds requested for the entire agency decrease from fiscal 1986 to fiscal 1988, but increase approximately 1 percent over the biennium.

REFERENCE AND INFORMATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	6.58	6.50	5.00	5.00	1.50
Personal Service	$155,802	$129,759	$115,017	$114,868	(19.5)
Operating Expense	137,975	152,053	135,417	140,185	(5.0)
Equipment	83,860	85,691	82,465	82,465	(2.7)
Total Expenditures	$377,637	$367,503	$332,899	$337,518	(10.0)
Fund Sources					
General Fund	$269,311	$251,813	$214,273	$219,724	(16.7)
State Special	19,044	21,874	14,483	13,651	(31.2)
Federal Revenue	89,282	93,816	104,143	104,143	13.8
Total Funds	$377,637	$367,503	$332,899	$337,518	(10.0)

This program provides: (1) housing for Montana State Library collections other than materials for blind and physically handicapped patrons and those collections housed in state institutions; (2) identification and lending of library materials owned by the State Library; (3) answers to general reference questions for specific subject areas; (4) bibliographies of materials available in specific subject areas; and, (5) inter-library loan services. Funding is provided from the general fund and federal LSCA funds. In the 1987 biennium coal severance tax supported a portion of this program; however, due to lower coal prices and reduced production, coal tax revenue has declined sharply, reducing funds available to this program from $19,044 in fiscal 1986 to $14,483 in fiscal 1988 and $13,651 in fiscal 1989.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	6.50	6.58	(0.08)
Personal Service	$149,554	$155,802	$(6,248)
Operating Expense	146,760	137,975	8,785
Equipment	83,195	83,860	(665)
Total Expenditures	$379,509	$377,637	$ 1,872
Funding			
General Fund	$268,474	$269,311	$ (837)
State Special	20,832	19,044	1,788
Federal Revenue	87,203	87,739	(536)
Proprietary Funds	3,000	1,543	1,457
Total Funds	$379,509	$377,637	$ 1,872
Additions			
Program Transfer	$ -0-	$ 10,018	$(10,018)

The program overspent personal service by $6,248 from not realizing vacancy savings budgeted at $3,027 and not allocating pay plan to this program. There were operating savings of $8,785 after the Governor's cut of $6,093. The savings were primarily in contracted services data processing due to dropping one on-line terminal. The program overexpended their equipment budget by $665.

The program transferred $9,328 of general fund and $4,390 federal funds in from other programs and subsequently transferred $1,900 general fund and $1,800 federal funds out to other programs for a net increase of $10,018.

Current Level Adjustments

Personal services decrease 19.5 percent after transferring 1.5 FTE to other programs.

Operating costs are included at the fiscal 1986 level less $4,561 in fiscal 1988 and $5,393 in fiscal 1989 due to the reduced level of coal severance tax support. The following table shows the second level coal tax funds expended in fiscal 1986 and the amounts available in the 1989 biennium.

Table 2
Coal Severance Tax Expenditure Reductions
Reference and Information Program

Expenditure	Fiscal 1986	Requested Fiscal 1988	Requested Fiscal 1989
Contracted Services	$16,773	$12,745	$12,013
Supplies and Materials	356	290	273
Communications	1,915	1,448	1,365
Total	$19,044	$14,483	$13,651

Equipment of $82,465 is included for books in fiscal 1988 and fiscal 1989. General fund decreases 16.7 percent primarily as a result of the position transfer to the Administration Program. Coal tax funding decreases 31.2 percent for this program. Federal LSCA funds increase 13.8 percent from the 1987 biennium to the 1989 biennium, as the agency allocated available LSCA funds in greater proportion in this program while reducing the proportion in administration in their request.

LIBRARY DEVELOPMENT PROGRAM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	Current Level Fiscal 1988	Current Level Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	3.54	3.00	4.00	4.00	1.00
Personal Service	$ 70,584	$ 92,223	$ 94,375	$ 94,214	15.8
Operating Expense	43,685	33,648	31,922	32,109	(17.2)
Total Operating Costs	$114,269	$125,871	$126,297	$126,323	5.2
Non-Operating Costs	686,077	588,483	483,986	494,140	(23.3)
Total Expenditures	$800,346	$714,354	$610,283	$620,463	(18.7)
Fund Sources					
General Fund	$ 34,658	$ 36,737	$ 65,334	$ 65,195	82.8
State Special	368,533	361,153	210,121	220,481	(41.0)
Federal Revenue	397,155	316,464	334,828	334,787	(6.2)
Total Funds	$800,346	$714,354	$610,283	$620,463	(18.7)

The Library Development program provides for administration of state and federal pass through grants and for consultation, advice, and public information services to public libraries. Funding is provided from the general fund, coal severance tax, and federal LSCA funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 3 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature. The program realized personal service savings of $21,515 as a result of vacancies in each of the positions during the year. Operating expenses were overexpended $1,665 in communications and $1,599 in travel. Budgeted travel costs were reduced $1,000 by the Governor's 2 percent cuts.

The program distributed $360,672 of the $371,541 budgeted for state grants to the six library federations which resulted in a savings of $10,869. Federal LSCA grants were $72,524 less than budgeted.

The general fund had savings of only $206 after $6,678 was transferred to other programs and $2,000 was cut by the Governor. The coal tax funds had savings of $10,949 in fiscal 1986 while federal funds had total savings of $81,570. The federal funds saved may be used in fiscal 1987 as continuing authority. Language in House Bill 500 allows LSCA funds to be transferred between fiscal 1986 and 1987.

Table 3
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	3.00	3.54	(0.54)
Personal Service	$ 91,099	$ 70,584	$ 20,515
Operating Expense	39,180	43,685	(4,505)
Total Operating Exp.	$130,279	$114,269	$ 12,010
Non-Operating Expenses			
State Sources	$371,541	$360,672	$ 10,869
Federal Sources	397,929	325,405	72,524
Total Non-Operating Expense	$769,470	$686,077	$ 83,393
Total Expenditures	$899,749	$800,346	$ 99,403
Funding			
General Fund	$ 41,542	$ 34,658	$ 6,884
State Special	379,482	368,533	10,949
Federal Revenue	478,725	397,155	81,570
Total Funds	$899,749	$800,346	$ 99,403
Budget Additions			
Federal and Private	$ 81,929	$ -0-	$ 81,929

Current Level Adjustments

Personal services increase 15.8 percent after transferring 1.0 FTE in from other programs. Additionally, a major factor affecting the increase from the 1987 biennium to the 1989 biennium is vacancy savings realized in fiscal 1986 of $22,515.

Operating expenses decrease 17.2 percent as a result of the reduction in coal severance tax. Contracted services were reduced $3,546, supplies and materials were reduced $567 and communications were reduced $2,978.

Grants from state sources were reduced $154,724 in fiscal 1988 and $144,550 in fiscal 1989, also due to the reduced coal severance tax. Grants from federal LSCA funds, are included at the agency request of $278,038 in each year of the biennium. Overall grants decreases 23.3 percent from the 1987 biennium to the 1989 biennium.

General fund increases 82.8 percent from the 1987 biennium to the 1989 biennium as result of transfers made among programs. Federal LSCA funds for this program as requested decline 6.2 percent for the biennium.

INSTITUTIONAL SERVICES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	1.25	2.00	1.25	1.25	(0.75)
Personal Service	$32,521	$47,064	$27,560	$27,535	(30.8)
Operating Expense	11,951	9,399	9,116	9,117	(14.6)
Equipment	9,049	10,873	9,049	9,049	(9.2)
Total Expenditures	$53,521	$67,336	$45,725	$45,701	(24.4)
Fund Sources					
General Fund	$13,025	$20,222	$ 3,496	$ 3,457	(79.1)
Federal Revenue	40,496	47,114	42,229	42,244	(3.6)
Total Funds	$53,521	$67,336	$45,725	$45,701	(24.4)

This program provides library services to residents of state institutions by contract through the nearest public library or directly from the Montana State Library. Funding for the program is provided by the general fund and federal LSCA funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 4 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 4
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	2.00	1.25	(0.75)
Personal Service	$47,044	$32,521	$14,523
Operating Expense	9,127	11,951	(2,824)
Equipment	10,556	9,049	1,507
Total Expenditures	$66,727	$53,521	$13,206
Funding			
General Fund	$19,613	$13,025	$ 6,588
State Special	47,114	40,496	6,618
Total Funds	$66,727	$53,521	$13,206

The program realized personal service savings as a result of a vacancy at the Warm Springs library. The program spent $2,824 more for contracted professional services than anticipated while spending $1,507 less on equipment than authorized. The program saved $6,588 of general fund and $6,618 of federal funds. Of these savings, $6,550 of general fund and $6,592 of federal funds were transferred to other programs.

Current Level Adjustments

Personal services decrease 30.8 percent with the transfer of 0.75 FTE out to other programs and converting a grade 12 librarian to a grade 11 library technician.

Operating costs decrease 14.6 percent after reducing a one-time contracted needs assessment of $2,846 made in fiscal 1986. Equipment is included at the fiscal 1986 actual level of $9,049 each year of the biennium for the purchase of books and library materials for the institutions.

General fund decreases 79.1 percent primarily as a result of the reduction in personal services of 0.75 FTE. Federal funds decrease 3.6 percent.

SERVICES FOR PHYSICALLY HANDICAPPED

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	4.88	5.00	4.75	4.75	(0.25)
Personal Service	$102,790	$ 97,939	$100,689	$100,729	0.3
Operating Expense	36,872	39,311	37,498	38,351	(0.4)
Equipment	-0-	-0-	18,527	-0-	10.0
Total Expenditures	$139,662	$137,250	$156,714	$139,080	6.6
Fund Sources					
General Fund	$ 54,544	$ 54,041	$ 52,982	$ 35,315	(18.7)
Federal Revenue	85,118	83,209	103,732	103,765	23.3
Total Funds	$139,662	$137,250	$156,714	$139,080	6.8

This program provides direct library service to blind and physically handicapped citizens through selection of recorded materials and provision of machines on which to play talking books. Funding is provided by the general fund and federal LSCA funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 5 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature. The program spent $2,200 more in personal services than authorized after transferring 0.12 FTE to the Institutional Program. Operating costs were $1,143 less than authorized. Overall the program's expenditures were $1,057 more than the budget.

Table 5
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	5.00	4.88	0.12
Personal Service	$100,590	$102,790	$(2,200)
Operating Expense	38,015	36,872	1,143
Total Expenditures	$138,605	$139,662	$(1,057)
Funding			
General Fund	$ 55,573	$ 54,544	$ 1,029
State Special	83,032	85,118	(2,086)
Total Funds	$138,605	$139,662	$(1,057)
Additions			
Program Transfers	$ 1,324	$ -0-	$ 1,324

The general fund for the program was $1,029 less than authorized while federal and private funds were $2,086 more than authorized.

The program had net program transfers-in of $1,324 of federal funds.

Current Level Adjustments

Personal services remain about the same in the 1989 biennium even after transferring 0.25 FTE to another program. Overall, personal services increase 0.3 percent over the 1987 biennium.

Operating costs are reduced $1,550 for one-time maintenance expenditures offset by a small amount of inflation for an overall decrease of 0.4 percent into the 1989 biennium. A high speed cassette and reel-to-reel duplicator is included in fiscal 1988 at a cost of $18,527.

General fund decreases 18.7 percent while federal funds increase 23.3 percent in this program.

ADMINISTRATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	4.00	4.00	4.00	4.00	0.00
Personal Service	$104,222	$101,249	$109,669	$109,553	6.7
Operating Expense	42,444	31,696	48,822	35,614	13.9
Equipment	202	930	-0-	-0-	(100.0)
Total Expenditures	$146,868	$133,875	$158,491	$145,167	8.2
Fund Sources					
General Fund	$109,021	$ 99,158	$133,730	$120,406	22.1
Federal Revenue	37,847	34,717	24,761	24,761	(31.8)
Total Funds	$146,868	$133,875	$158,491	$145,167	8.2

This program provides: (1) administration of all library programs; (2) mail processing; (3) budgeting and accounting; (4) personnel administration; and (5) administration of state and federal policies and regulations. Funding is provided from the general fund and federal LSCA funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature. The program overspent the budget by $3,328 after the Governor's cuts of $3,000. The program had transfers-in of $3,740. The general fund made up $3,440 of the total transfers while federal funds made up $300.

Table 6
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	4.00	4.00	0.00
Personal Service	$105,415	$104,222	$ 1,193
Operating Expense	37,263	42,444	(5,181)
Equipment	862	202	660
Total Expenditures	$143,540	$146,868	$(3,328)
Funding			
General Fund	$105,877	$109,021	$(3,134)
Federal & Private	37,663	37,847	(184)
Total Funds	$143,550	$146,868	$(3,328)
Additions			
Program Transfers	$ 3,740	-0-	$ 3,740

Personal service savings were $1,193 with $660 savings in equipment offset by overexpenditure of operating costs by $5,181. Personal services savings were generated by turnover of the administrative officer position while contracted services were expended in excess of authorized due partly to House Bill 394, which authorized an increase in per diem for library commission members, but provided no appropriation.

General fund savings amounts to $306 after the Governor's cuts of $3,000 and transfers-in of $3,440. Federal funds savings are $116 after transfers-in of $300.

Current Level Adjustments

Personal services increase 6.7 percent after converting a grade 12 librarian position transferred from the Reference and Information Program to a grade 14 accountant. Operating costs increase 13.9 percent as legislative audit costs increase from $9,000 spent in fiscal 1986 to $13,200 budgeted in fiscal 1988 and computer fees paid to the Department of Administration increase $1,998 in fiscal 1988 and $2,004 in fiscal 1989.

General fund support of this program increases 22.1 percent while federal funds decrease 31.8 percent. This change results from federal requirements for expenditure of LSCA funds on federally mandated library services which are more accurately placed in other programs.

LIBRARY TECHNICAL SERVICES

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	5.25	5.00	6.50	6.50	1.5
Personal Service	$ 96,948	$101,005	$124,953	$124,940	26.2
Operating Expense	34,282	35,644	20,865	23,439	(36.6)
Equipment	9,030	-0-	-0-	-0-	(100.0)
Total Expenditures	$140,260	$136,649	$145,818	$148,379	6.2
Fund Sources					
General Fund	$ 61,739	$ 62,125	$ 82,024	$ 82,018	32.4
State Special	43,036	40,839	20,865	23,439	(47.2)
Federal Revenue	35,485	33,685	42,929	42,922	24.1
Total Funds	$140,260	$136,649	$145,818	$148,379	6.2

The Technical Services Program provides distribution of state publications, acquisition, cataloging, and technical processing of Montana State Library and institutional library collections, and development and maintenance of the state library's participation in the Washington Library Network. Funding is provided from the general fund and federal LSCA funds.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

Table 7 compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature. Personal services were overexpended $3,432 after the program transferred 0.25 FTE of a grade 5 library clerk to the Reference and Information Program and transferred in a 0.50 FTE grade 12 librarian I. Operating costs were $195 less than authorized due to less than anticipated communication charges.

Table 7
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	5.00	5.25	(0.25)
Personal Service	$ 93,516	$ 96,948	$(3,432)
Operating Expense	34,477	34,282	195
Equipment	8,910	9,030	(120)
Total Expenditures	$136,903	$140,260	$(3,357)
Funding			
General Fund	$ 58,581	$ 61,739	$(3,158)
State Special	47,790	43,036	4,754
Federal and Private	30,532	35,485	(4,953)
Total Funds	$136,903	$140,260	$(3,357)

General fund expenditures were $3,158 more than authorized until the program transferred $3,310 in from other programs. State special coal severance tax funds are underspent by $4,754 while federal funds are $4,953 over the amount authorized. The program also transferred $5,187 of federal funds in from other programs.

Current Level Adjustments

The program has transferred 0.50 FTE library clerk from the Reference and Information Program and a 1.00 FTE office clerk from the Administration Program. These transfers cause personal service costs to increase 26.2 percent from the 1987 biennium to the 1989 biennium.

Operating costs, which are entirely supported in this program by the coal severance tax, are decreased 36.6 percent as a result of the reduction in available funds.

The general fund increases 32.4 percent while federal funds increase 24.1 percent. These increases result from the transfer of FTE to this program. Coal tax funding in this program decreases 47.2 percent as available coal tax funds decline.

NATURAL RESOURCES AND HERITAGE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	1.10	0.00	2.00	2.00	2.00
Personal Service	$ 25,824	$ -0-	$ 51,472	$51,396	298.3
Operating Expense	123,120	-0-	57,178	37,413	(23.2)
Equipment	11,943	-0-	-0-	-0-	(100.0)
Total Expenditures	$160,887	$ -0-	$108,650	$88,809	22.7
Fund Sources					
State Special	$ 97,778	$ -0-	$108,650	$63,809	76.4
Federal and Other	63,109	-0-	-0-	25,000	(60.4)
Total Funds	$160,887	$ -0-	$108,650	$88,809	22.7

This program was transferred to the library from the Department of Administration by House Bill 860. House Bill 860 gave the responsibility for the Natural Heritage Program and the Natural Resource Information System (NRIS) to the library. The NRIS is a centrally located catalog, index, and referral system to existing natural resource data files and reports. This system permits government and private-sector users to readily identify the location, source, and types of information available in state agency files. The Natural Heritage Program provides a systematic inventory and evaluation of the state's natural features that are rare, endangered, or fragile. Funding for the program was provided in House Bill 922 from the state special revenue resource indemnity trust fund interest at $225,561, grants from the Department of Fish, Wildlife and Parks state special revenue from license fees of $75,000 and the Nature Conservancy private grants totaling $75,140.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 8
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	0.00	1.10	(1.10)
Personal Services	$ -0-	$ 18,844	$(18,844)
Operating Expense	$150,140	114,119	36,021
Equipment	-0-	5,118	(5,118)
Total Expenses	$150,140	$138,081	$ 12,059
Funding			
State Special	$ 75,000	$ 74,972	$ 28
Federal and Private	75,140	63,109	12,031
Total Funds	$150,140	$138,081	$ 12,059
Additions			
Statutory Appropriation	$ 75,000	$ 22,804	$ 52,196

The program expended $74,972 of the Department of Fish, Wildlife, and Parks grant of $75,000 and $63,109 of the Nature Conservancy funds of $75,140. The program also received $75,000 from the Department of State Lands Office of Surface Mining for inclusion in the NRIS of which $22,804 was expended. The program hired 1.10 FTE to work on the projects under the Natural Resources Information System (NRIS).

Current Level Adjustments

The program is included at the agency requested level which includes 1.0 FTE grade 15 program officer and a 1.0 FTE grade 9 library technician I for the NRIS. Work for the heritage project will be contracted at $31,000 in fiscal 1988 and $14,000 in fiscal 1989. Other costs are included at the fiscal 1986 level for both years of the biennium.

Funding is provided by unused resource indemnity trust funds of $101,242 carried forward to fiscal 1988, and $50,000 of Fish, Wildlife, and Parks license fees in fiscal 1989. Due to the priority list for grants from the Department of Natural Resources and Conservation, the library has not received any of the grant funds. However, the grant is for two years: therefore, the library has two years from when they receive the funds in which to spend them. Also included are carryover funds from the Department of State Lands of $7,408 in fiscal 1988 and $13,809 in fiscal 1989. The Nature conservancy will provide $25,000 in fiscal 1989 to complete the funding for this program.

HIGHER EDUCATION

BOARD OF REGENTS
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY 89	1989 Biennium General Fund	1989 Biennium Total Funds
Executive Budget	N/A	$205,027	$205,027
LFA Current Level	N/A	53,159	53,159
Executive Over (Under) LFA	N/A	$151,868	$151,868

The executive budget exceeds LFA current level by $151,868 in general fund for the 1989 biennium. This difference results primarily from the following three issues.

ISSUE 1: MEETING DAYS

The executive budget includes 224 meeting days for the regents or 28 more meeting days per year than the LFA current level. The 28 additional meeting days cost $1,400 for a biennial difference of $2,800.

ISSUE 2: OPERATING EXPENSE

The executive budget operating expense is $932 less for the biennium than the LFA current level because more than one-time expenditures for presidential search and contracted services are removed in the executive budget.

ISSUE 3: MANAGEMENT COUNCIL

The executive budget includes $150,000 in fiscal 1988 to create a management council of private sector representatives who are to recommend specific areas for improved, cost-effective and efficient university system operations. This modification is not included in LFA current level.

BOARD OF REGENTS

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	0.00	0.00	0.00	0.00	0.00
Personal Service	$ 5,600	$ 4,046	$ 9,800	$ 9,800	103.2
Operating Expense	16,986	18,246	16,751	16,808	(4.7)
Total Expenditures	$22,586	$22,292	$26,551	$26,608	18.5
Fund Sources					
General Fund	$22,586	$22,292	$26,551	$26,608	18.5

	- - - - - - Fiscal 1988 - - - - - -		- - - - - - Fiscal 1989 - - - - - -	
ISSUES:	General Fund	Other Funds	General Fund	Other Funds
1. University Mill Levy				
Option A:	$ -0-	$ -0-	$ -0-	$ -0-
Option B:	-0-	-0-	-0-	-0-
Option C:	1,911,363		1,943,315	
Option D:	(1,911,363)	1,911,363	(1,943,315)	1,943,315
2. Long-Term Direction	N/A	N/A	N/A	N/A

The Board of Regents consists of seven members who are responsible for supervision, coordination, management, and control of Montana's university system and three community colleges, pursuant to the 1972 Montana Constitution, Article X, Section 9, Subsection (2).

There are no agency employees; however, 71 percent of the total budget is spent on per diem and in-state travel for board members. Although the Forty-ninth Legislature adopted House Bill 394 increasing the regents' per diem from $25 to $50, this additional cost was not funded for the 1987 biennium. During fiscal 1986, regents were paid at the $50 rate for 112 days, for a total of $5,600. They also worked 84 days with no compensation, which would have cost an additional $4,200 under House Bill 394. The 196 actual meeting days at $50 each are the basis for the $9,800 current level personal service.

Current level operating expense was reduced $340 below fiscal 1986 for one-time contracted services, in-state presidential search costs, and out-of-state car rental. After inflation, operating expenses decrease 4.7 percent from the 1987 to 1989 biennium and total expenditures increase 18.5 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as examined by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
Personal Service	$ 5,500	$ 5,600	$(100)
Operating Expense	17,139	16,986	153
Total Exp. and General Fund	$22,639	$22,586	$ 53

ISSUE 1: SIX-MILL LEVY

Because the six-mill levy for the university system is scheduled to terminate on January 1, 1989, the legislature may want to consider whether to adopt a referendum for action by the voters of the state in the next general election or whether to utilize provisions of the state constitution and establish a mill levy renewal by statute.

The current levy was approved as Referendum No. 75 by vote of the people at the general election in 1978 for a period of ten years (Chapter No. 582, 1979 Session Laws). As provided in the law, the legislature has appropriated an amount each biennium from the state special revenue fund for the support, maintenance, and improvement of the university system. This was the first codified university levy referendum and it appears in 15-10-105 and 20-25-423, MCA. According to provisions of the 1978 referendum, the legislature also was authorized to appropriate these funds for other public educational institutions subject to the Board of Regents' supervision.

Historically, the first proposed higher education levy failed in the 1914 general election and the second one-and-one-half mill levy initiative was approved by the voters in 1920. Table 2 summarizes the actions of the voters from 1914 through 1978 on university mill levies and the purposes for which the funds have been appropriated. Until 1969 the earmarked levy revenue was appropriated for the six units, the Montana Agricultural Experiment Station (MAES), and the Montana Cooperative Extension Service (MCES). Since that time, both the Montana Bureau of Mines and Geology and the Montana Forest and Conservation Experiment Station have been reorganized as separate entities of the university system.

Table 2
History of the University System Mill Levy

Year	VOTES - For	Against	% For	Mills	Appropriated For
1914	34,440	42,581	-	-	- - -
1920	82,669	71,169	53.7	1.5	5 Units, MAES, MCES
1930	70,548	61,207	53.6	3.0	6 Units, MAES, MCES
1940	58,968	52,998	52.7	3.5	6 Units, MAES, MCES
1948	77,820	50,167	60.8	6.0	6 Units, MAES, MCES
1958	89,251	84,002	51.5	6.0	6 Units, MAES, MCES
1968	127,625	89,396	58.8	6.0	University System
1978	181,920	88,641	67.2	6.0	University System

Sources: Session Laws; Initiative and Referendum Report, Secretary of State.

Until passage of the 1972 constitution, the legislature was prohibited from imposing an additional mill levy unless the people approved it under terms of Article 12, Section 9 of the 1889 Montana Constitution. Currently, however, according to the state constitution, Article VIII, Section 1, "Taxes shall be levied by general laws for public purposes" and the legislature has a great deal more latitude in taxation as provided in Title 15, Chapter 10, MCA. This means that the Fiftieth Legislature may approve a university system mill levy without submitting it to a vote of the people.

For five-mill or six-mill options, therefore, the legislature may either take action itself or adopt a resolution for a vote by the electors. Each mill levied is projected to generate $1,911,363 in fiscal 1988 and $1,943,315 in fiscal 1989. As shown in Table 3, continuation of a six-mill levy would raise $23,128,069 for the biennium, while five mills would produce $19,273,390. By comparison, the legislature appropriated $29,053,000 in the 1987 biennium from the existing six-mill levy, and $3,380,000 of a one-time fund balance, for a total of $32,433,000.

Although a seven-mill levy would raise nearly $27 million dollars during the 1989 biennium, it appears that the legislature could not itself take action to increase the university system levy to seven mills because the voters passed Constitutional Initiative 105 freezing taxes at the present level. A resolution for a seven-mill levy, however, could be adopted by the legislature if there were a levy reduction of like amount elsewhere or it could be submitted to the electors.

Table 3
Funds Generated By a University Mill Levy

Mill Levy	Fiscal 1988	Fiscal 1989	Total
5 Mills	$ 9,556,815	$ 9,716,575	$19,273,390
6 Mills	11,468,180	11,659,889	23,128,069
7 Mills	13,379,541	13,603,205	26,982,746

The options include continuing a six-mill levy, or raising or lowering the number of mills.

Option A: Continue the six-mill levy for the university system by legislative action.

Option B: Submit a resolution to the people for continuation of the six-mill levy for the university system.

Option C: Adopt or submit a resolution for a five-mill levy for the university system.

Option D: Submit a resolution to the people for a seven-mill levy for the university system.

ISSUE 2: LONG-TERM DIRECTION

Senate Joint Resolution No. 1, adopted by the senate and the house during Special Session III, requests the Board of Regents to include in its studies on the long-term direction of higher education institutions in Montana a report to the Fiftieth Legislature on the following:

1. A plan for the administrative consolidation of the Montana Agricultural Experiment Station and the Montana Cooperative Extension Service.

2. A long-term plan for achieving high quality academic programs in the university system, with consideration given to making individual units specialty schools within the system.

3. A long-term plan for instruction that: (a) consolidates programs that are offered on several campuses; (b) eliminates programs that serve few students and are unnecessary as support for an institution's primary mission; and (c) addresses retention of student access to courses necessary for completion of academic degrees while the long-term plan is phased in.

4. Consolidation of administrative functions within the individual units and throughout the system which could result in efficiencies and/or cost reductions.

5. The potential for converting all or part of underutilized system facilities for other state or private purposes.

6. A plan for expansion of the system's contribution to the economic development of the state.

7. A plan for showing how realized cost savings could be reinvested to maintain or to improve the quality of the system's academic programs.

8. A plan for some form of student repayment within the WICHE, WAMI, and Minnesota Rural Dentistry Programs of student assistance in selected health fields.

COMMISSIONER OF HIGHER EDUCATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	25.35	$6,241,010	$12,809,650
LFA Current Level	25.35	6,034,167	12,846,852
Executive Over (Under) LFA	0.00	$ 206,843	$ (37,202)

The executive budget has $37,202 less total funds than LFA current level, but is $206,843 higher in general fund. This difference in general fund is due to: (1) the executive using $164,071 less of the education coal tax interest earnings, (2) the executive funding the administration program with $18,172 more for the biennium, and (3) the executive funding $24,600 more in the student assistance program. In student assistance the executive budget has $21,000 less for work study, but $45,600 more for dentistry students.

The executive funded the federal talent search program $16,349 less than the LFA current level and the federal student loan program is $63,625 less than LFA current level.

MODIFIED REQUESTS

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	3.50	$ -0-	$18,117,097
LFA Current Level	3.50	-0-	18,261,976
Executive Over (Under) LFA	0.00	$ -0-	$ (144,879)

The executive reduced the agency's modified budget requests by $144,879 or 0.8 percent.

COMMISSIONER OF HIGHER EDUCATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	26.50	26.50	25.35	25.35	(1.15)
Personal Service	$ 825,125	$ 821,707	$ 835,444	$ 835,043	1.4
Operating Expense	792,635	1,296,985	926,109	959,815	(9.7)
Equipment	22,149	12,500	7,000	12,500	(43.7)
Total Operating Costs	$1,639,909	$2,131,192	$1,768,553	$1,807,358	(5.2)
Non-Operating Costs	4,632,395	4,628,369	4,639,702	4,631,239	0.1
Total Expenditures	$6,272,304	$6,759,561	$6,408,255	$6,438,597	(1.4)
Fund Sources					
General Fund	$2,813,473	$1,566,896	$3,096,284	$2,937,883	37.8
State Special	2,421,328	3,622,074	2,122,111	2,259,960	(27.5)
Federal Revenue	1,037,503	1,570,591	1,189,860	1,240,754	(6.8)
Total Funds	$6,272,304	$6,759,561	$6,408,255	$6,438,597	(1.4)

	- - - - - Fiscal 1988 - - - -		- - - - - - Fiscal 1989 - - - -	
ISSUES:	General Fund	Other Funds	General Fund	Other Funds
1. Student Payments	N/A	N/A	N/A	N/A
2. Number of Slots				
Option A:	$(134,400)	$ -0-	$(136,800)	$ -0-
Option B:	(89,600)	-0-	(91,200)	-0-
Option C:	(67,200)	-0-	(68,400)	-0-
Option D:	-0-	-0-	-0-	-0-

The Commissioner of Higher Education is the chief administrative officer of the university system, appointed by the Board of Regents as provided by Article X, Section 9, Subsection (2) of the 1972 Constitution. The Commissioner and agency personnel are responsible for providing research, leadership, technical assistance, and staff support to the Board of Regents and higher education agencies to enable coordination, consistent regulations and management, evaluation of policies and programs, and long-range planning. The agency provides budgetary planning and funds distribution for the system, as well as administration for both the state and federal student financial assistance programs. The Commissioner's duties also include serving as secretary to the Board of Regents, participating as a nonvoting member of the state Board of Education, and appointing a librarian to the state Library Commission.

There is a net loss of 1.15 FTE comprised of a 1.20 FTE reduction in administration which is offset by a 0.05 FTE increase in the student loan program. The decrease of 9.7 percent in operating expense results primarily from a change of accounting methods in the federally-funded Guaranteed Student Loan Program.

Non-operating costs for the Student Assistance Program increase 0.1 percent due to rising fees for WICHE and WAMI.

General fund increases by 37.8 percent because of the 27.5 percent decrease in state special education coal tax trust fund interest earnings. This reduction is caused by the Special Session III fiscal 1987 one-time general fund cut of $940,701 and increase in state special revenue by a like amount in order to utilize the education coal tax trust fund balance, as well as a 1989 biennium revenue decrease in the coal tax trust fund earnings. Federal revenue for talent search and student loans decreases 6.8 percent because there was a $500,000 appropriation for fiscal 1987 cash flow purposes that is no longer required.

The four current level programs in this agency are Administration, Student Assistance, Talent Search, and Guaranteed Student Loan.

ADMINISTRATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	15.60	15.60	14.40	14.40	(1.20)
Personal Service	$567,232	$557,043	$570,361	$570,209	1.4
Operating Expense	210,845	211,058	215,832	203,895	(0.5)
Equipment	17,518	2,500	2,500	2,500	(75.0)
Total Expenditures	$795,595	$770,601	$788,693	$776,604	(0.1)
Fund Sources					
General Fund	$795,595	$770,601	$788,693	$776,604	(0.1)

The Administration budget provides funding for the major functions of the commissioner's office, including coordination of university system units with regard to academic planning and curriculum review; budgetary planning and funds distribution; legal services; and labor negotiation policies and procedures. This budget also provides staff support and supplies for the Student Assistance Program.

Administration personnel decrease 1.2 FTE due to agency and current level reductions. Personal service increases 1.4 percent because vacancy savings is less in the 1989 biennium than in the 1987 biennium. Operating expenses decrease 0.5 percent due primarily to the higher appropriated level for fiscal 1987. The 75 percent decrease in equipment is consistent with the agency's request. There is a 0.1 percent decrease in general fund which is the only revenue source for administration.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 1
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	15.60	15.60	0.00
Personal Service	$585,863	$567,232	$ 18,631
Operating Expense	219,346	210,845	8,501
Equipment	394	17,518	(17,124)
Total Exp. and Gen. Fund	$805,603	$795,595	$ 10,008

The $18,631 difference in personal service resulted primarily from the deputy commissioner position being vacant part of the year. The $8,501 operating expense difference included $2,000 in contracted services, $6,000 in communications, and $501 in repair and maintenance. After spending $17,124 more than budgeted on equipment, including $2,088 for a multi-user computer and $15,036 for office furniture, the net total expenditures difference was $10,008 less than appropriated.

Current Level Adjustments

Personal Service. Personnel for administration decrease by 1.2 FTE, with a 0.70 FTE reduction made by the agency in fiscal 1987 and a further reduction of 0.50 FTE occurring in the 1989 biennium.

In fiscal 1987 the agency responded to the general fund and pay plan cuts by reducing 0.40 professional FTE and 0.30 classified FTE, leaving 14.9 FTE in the program. The cut FTE were transferred to other programs, with 0.05 FTE going to Guaranteed Student Loan and 0.65 FTE working in the university system group insurance program. For the 1989 biennium, there is a current level additional reduction of 0.50 professional FTE in the legal counsel staff, leaving 1.50 FTE legal staff to provide those functions.

After the reductions, personal service increases 1.4 percent to $570,361 in fiscal 1988 and $570,209 in fiscal 1989 due to a $14,447 decrease in vacancy savings from fiscal 1987 to fiscal 1989. Vacancy savings of 4 percent are $23,735 and $23,727 for the two years of the 1989 biennium. Personal service decreases by $155 in fiscal 1989 as a result of calculations for increases in FICA and workers' compensation offset by the reduction for one less working day.

Operating Expense. Table 2 shows a net increase of $4,987 in operating expense from fiscal 1986 to 1988.

Table 2
Current Level Adjustments to Administration Operating Expense

Budget Item	FY 1986 Actual	(Decrease) Increase	FY 1988 Current Level
Consultation	$ 4,796	$(2,254)	$ 2,542
Insurance	2,263	881	3,144
Janitorial	7,366	(166)	7,200
Legal Fees	15	1,000	1,015
Payroll Service Fees	477	-0-	477
Audit	7,351	5,589	12,940
Computer Processing	10,328	4,036	14,364
Supplies and Services	4,518	(1,377)	3,141
Books and Subscriptions	7,829	(2,243)	5,586
Travel	21,876	(378)	21,498
Electricity	7,608	1,503	9,111
Trash Removal	562	(80)	482
Bldgs and Grounds	353	(10)	343
Computer Maintenance	4,084	222	4,306
Job Candidate Expense	2,124	(1,124)	1,000
All Other	129,295	(612)	128,836
Total	$210,845	$ 4,987	$215,832

There are increases of $12,231 for insurance, audit, computer processing, electricity, and computer maintenance. These increases are primarily due to inflation. In addition, legal fees increase by $1,000 to allow for consultation after the 0.50 FTE legal staff reduction.

Decreases total $8,244 and include $2,254 in consultation fees and travel due to completion of a management study in fiscal 1986. Various supplies and services such as photographs, engraving, office items, and one-time safety supplies are reduced by $1,377 to the appropriated level. Books and subscriptions are cut $2,243 because, even though the agency is located across the street from the library and pays dues to five national organizations which include reference materials, the agency purchased 62 reference books in fiscal 1986, increasing expenditures by $1,382 over fiscal 1985, and subscribed to 21 periodicals for a 156 percent increase over fiscal 1985. Current level increases books by 18 percent over fiscal 1985 and subscriptions by 86 percent.

Travel is reduced by $378 for one-time airplane rental and other general costs. One-time job candidate expenses of $1,124 are deleted and miscellaneous reductions total $612.

Fiscal 1989 operating expense decreases by $11,937. There is removal of the fiscal 1988 audit costs of $12,940 and a Department of Administration reduction of $488 in computer processing. These reductions are offset by inflation increases of $69 for telephone, $1,421 for electricity, and $1 for gasoline.

Equipment. There is a 75 percent decrease in equipment to $2,500 each year of the biennium for two Wang personal computers. The computers are included in current level because they will provide a total of four computers to assist a staff of 14.40 FTE. No other equipment was requested by the agency for administration.

STUDENT ASSISTANCE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
WICHE Dues	$ 53,000	$ 56,000	$ 59,000	$ 62,000	11.0
WICHE Assistance	1,943,586	1,846,300	1,875,234	1,769,068	(3.8)
WAMI	1,813,315	1,898,619	1,898,618	1,991,721	4.8
MN Rural Dentistry	108,000	111,000	90,400	92,000	(16.7)
Student Incentive Grants	368,172	385,000	385,000	385,000	2.2
NDSL	55,322	55,000	55,000	55,000	(0.3)
Work Study	291,000	276,450	276,450	276,450	(0.3)
Total Expenditures	$4,632,395	$4,628,369	$4,639,702	$4,631,239	0.1
Fund Sources					
General Fund	$2,017,878	$ 796,295	$2,307,591	$2,161,279	58.8
State Special	2,421,328	3,622,074	2,122,111	2,259,960	(27.5)
Federal Revenue	193,189	210,000	210,000	210,000	4.2
Total Funds	$4,632,395	$4,628,369	$4,639,702	$4,631,239	0.1

ISSUES:	- - - - - Fiscal 1988 - - - - - General Fund	Other Funds	- - - - - Fiscal 1989 - - - - General Fund	Other Funds
1. Student Payments	N/A	N/A	N/A	N/A
2. Number of Slots				
Option A:	$(134,400)	$-0-	$(136,800)	$-0-
Option B:	(89,600)	-0-	(91,200)	-0-
Option C:	(67,200)	-0-	(68,400)	-0-
Option D:	-0-	-0-	-0-	-0-

The Student Assistance Program includes interstate student assistance through WICHE, the Western Interstate Commission for Higher Education; WAMI, the Washington, Alaska, Montana, and Idaho medical education program; and the Minnesota Rural Dentistry (MRD) education program. It also includes the State Student Incentive Grants Program (SSIG), which receives federal matching funds, the National Direct Student Loan Program (NDSL), and the state-funded College Work Study Program.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 3
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
WICHE Dues	$ 53,000	$ 53,000	$ -0-
WICHE Assistance	1,943,900	1,943,586	314
WAMI	1,817,238	1,813,315	3,923
MN Rural Dentistry	108,000	108,000	-0-
Student Incentive Grants	385,000	368,172	16,828
NDSL	60,000	55,322	4,678
Work Study	291,000	291,000	-0-
Total Expenses	$4,658,138	$4,632,395	$25,743
Funding			
General Fund	$ 2,026,496	$2,017,878	$ 8,618
State Special	2,421,642	2,421,328	314
Federal Revenue	210,000	193,189	16,811
Total Funds	$4,658,138	$4,632,395	$25,743

Student assistance expenses were $25,743 less than appropriated for fiscal 1986. The most significant difference was a $16,811 reduction of federal matching funds for the State Student Incentive Grants Program, which also meant that $17 of SSIG general fund match was not required, for a total grant program difference of $16,828. There was a total general fund difference of $8,618 comprised of the SSIG $17 match together with $4,678 of the NDSL general fund appropriation and $3,923 for WAMI. State special education coal tax trust fund interest earnings expenses for WICHE students were $314 less than appropriated.

Current Level Adjustments

The overall biennium increase in the Student Assistance Program is 0.1 percent, with the largest increase of 11 percent occurring in the WICHE dues which support the operating budget of the 13-state commission located in Boulder, Colorado. WICHE student assistance decreases by 3.8 percent due to a decrease in the number of continuing students in medicine, optometry, occupational therapy, and veterinary medicine. WAMI medical education costs increase by 4.8 percent for 60 continuing students. Minnesota Rural Dentistry costs decrease 16.7 percent due to holding the number of new dentistry students in WICHE and rural dentistry to four as determined by the legislature during the 1985 session. The remaining three student assistance programs are maintained at the fiscal 1987 appropriated level. Current level budget items for the interstate assistance programs are summarized in Table 4.

Table 4
Interstate Student Assistance Programs - Fiscal 1988 and 1989

Program	Continuing Students	New Students	Cost/Slot	Cost Continuing	Cost New	Total Cost
FISCAL 1988						
WICHE						
Administrative Dues						$ 59,000
Student Assistance:						
Medicine	29	6	$22,400	$ 649,600	$134,400	$ 784,000
Osteopathic Medicine	7	2	10,100	70,700	20,200	90,900
Dentistry*	7	3	11,300	82,867	37,667	120,534
Veterinary Medicine	36	11	16,300	586,800	179,300	766,100
Optometry	10	3	6,200	62,000	18,600	80,600
Occupational Therapy	3	1	4,000	12,000	4,000	16,000
Podiatry	1	1	7,000	7,000	7,000	14,000
Public Health	0	1	3,100	-0-	3,100	3,100
Subtotal	93	28		$1,470,967	$404,267	$1,875,234
Minnesota Dentistry	7	1	$11,300	$ 79,100	$ 11,300	$ 90,400
WAMI Medicine	60	20	$31,644	1,898,618		1,898,618
Total	160	49		$3,448,685	$415,567	$3,923,252
FISCAL 1989						
WICHE						
Administrative Dues						$ 62,000
Student Assistance:						
Medicine	23	6	$22,800	$ 524,400	$136,800	$ 661,200
Osteopathic Medicine	7	2	10,300	72,100	20,600	92,700
Dentistry**	7	3	11,500	84,334	38,334	122,668
Veterinary Medicine	35	10	17,500	612,500	175,000	787,500
Optometry	8	3	6,300	50,400	18,900	69,300
Occupational Therapy	1	1	4,100	4,100	4,100	8,200
Podiatry	2	1	7,100	14,200	7,100	21,300
Public Health	1	1	3,100	3,100	3,100	6,200
Subtotal	84	27		$1,365,134	$403,934	$1,769,068
Minnesota Dentistry	7	1	$11,500	$ 80,500	$ 11,500	$ 92,000
WAMI Medicine	60	20	33,195	1,991,721	-0-	1,991,721
Total	151	48		$3,437,355	$415,434	$3,914,789

*There is an additional charge of $3,767 for 1 continuing and 1 new accelerated student.
**There is an additional charge of $3,834 for 1 continuing and 1 new accelerated student.

Interstate Student Aid. In fiscal 1988 there is a total of 209 students, comprised of 160 continuing and 49 new enrollees. The WICHE program includes 93 continuing and 28 new students at a total cost of $1,875,234. By comparison, in fiscal 1987, there were 103 continuing and 27 new WICHE students for a total of 130. In fiscal 1986 there were 142 WICHE students. As shown in Table 5, the average fiscal 1988 cost of all WICHE slots decreases 1.7 percent due to the $2,000 cut in public health fees. The cost per slot increases for each of the remaining seven fields, ranging from a 1.4 percent increase in podiatry to a 14 percent increase in veterinary medicine. There are additional fiscal 1989 increases for all fields except public health.

Table 5
Cost Changes in Interstate Slots: Fiscal 1987-1989

WICHE	FY 1987 Cost/Slot	FY 1988 Cost/Slot	FY 1987-88 % Increase	FY 1989 Cost/Slot	FY 1987-89 % Increase
Medicine	$22,000	$22,400	1.8	$22,800	3.6
Osteopathic Medicine	9,900	10,100	2.0	10,300	4.0
Dentistry	11,100	11,300	1.8	11,500	3.6
Veterinary Medicine	14,300	16,300	14.0	17,500	22.4
Optometry	6,100	6,200	1.6	6,300	3.3
Occupational Therapy	3,900	4,000	2.6	4,100	5.1
Podiatry	6,900	7,000	1.4	7,100	2.9
Public Health	5,100	3,100	(39.2)	3,100	(39.2)
WICHE Subtotal			(1.7)		0.7
Minnesota Dentistry	11,100	11,300	1.8	11,500	3.6
WAMI	31,644	31,644	-0-	33,195	4.9

Minnesota Rural Dentistry has seven continuing and one new student at a total fiscal 1988 cost of $90,400. Although the agency requested three new students each year of the 1989 biennium in the rural dentistry program, it also requested three new WICHE dentistry students each year. The 1985 legislature decided to allow a total of four new dentistry students in each year of the 1987 biennium due to documentation of an oversupply of these professionals until at least the year 2000. Therefore, current level includes a total of four new dentistry students each year of the 1989 biennium, with three in WICHE and one in rural dentistry. The legislature may want to consider language in the appropriations bill, similar to that approved last session, granting transfer authority for these four dentistry students between WICHE and rural dentistry. The cost per slot is the same in both programs.

The WAMI medical students include 60 continuing at the University of Washington School of Medicine at a total fiscal 1988 cost of $1,898,618, plus 20 first-year students enrolled at Montana State University. The cost of the WAMI program does not increase in fiscal 1988 but the cost per student goes up $1,551 or 4.9 percent in fiscal 1989.

Federal Student Aid. The State Student Incentive Grants Program (SSIG) and the National Direct Student Loan Program (NDSL) are the two federally-funded assistance components. Student incentive grants are continued at $385,000 each year of the biennium. This total includes $175,000 of general fund in fiscal 1988 and

$175,000 in fiscal 1989, with $210,000 federal match each year. If the federal funds were reduced, any general fund balance would revert. The commissioner's office allocates these incentive grant funds to postsecondary institutions in Montana based on enrollment and each campus financial aid office makes the student awards. The average grant is nearly $600, which is the maximum allowed by federal regulations.

The direct student loan program is continued with a $55,000 general fund appropriation each year of the biennium. Federal matching funds, which are awarded directly to colleges and universities throughout the state, are projected to be $550,000. The purpose of this program is to provide short-term loans at low interest rates to help students with cash flow and expenses while they remain in college. Before the state fiscal year begins, each campus reports to the commissioner's office on the amount of loan funds available and general fund match is distributed accordingly before the school year begins. If the campuses have more loan monies available than anticipated, as occurred in fiscal 1985, then the state matching funds are prorated. If less federal money is appropriated, then the general fund reverts.

State Work Study. This student aid program continues at the fiscal 1987 level with $276,450 of general fund each year of the biennium for a 0.3 percent decrease. State work study is designed to enable the six units and the community colleges to employ students part-time. The general fund appropriation is allocated to the institutions based on enrollment and each campus provides 30 percent matching funds.

ISSUE 1: STUDENT PAYMENTS

If WICHE, WAMI, and Minnesota Rural Dentistry students were responsible for reimbursing the state for a portion of the support fees paid on their behalf by the commissioner's office, the cost to the Montana taxpayer would be reduced and operation of these programs would be consistent with five other states in the western region. House Bill 30, the appropriations bill approved during Special Session III, includes the provision that all students applying for fiscal 1988 participation in these programs are to be notified by the commissioner's office that the 1987 legislature may enact a requirement that entering students are to pay back a percentage of their support fee.

During Special Session III both the House and the Senate adopted amendments to the appropriations bill requiring partial repayment of fees, although these provisions were later deleted. The final language considered during the closing days of that session is presented below as a starting point for continuing the dialogue on this issue:

> Beginning in fiscal 1987, all new and re-entering students supported by the WICHE, WAMI, and Minnesota Rural Dentistry programs shall be responsible for repaying the State of Montana 25 percent of their support fees paid by the state to the receiving institution for their field of study. Repayment shall commence within one year from graduation, leaving the program, or completion of any minimum residency requirements necessary to begin practice, and shall be fully repaid within ten years after the repayment start date at 5 percent annual interest. The provisions of this amendment are to be administered by the Commissioner of Higher Education. A proprietary account shall be established for the purpose of collecting the principal and interest payments.

There were five primary points of clarification in the above language that dealt with questions raised on the floor of one or both houses. These five considerations are summarized as follows:

(1) Whether to base repayment on the support fee or on the difference between in-state and out-of-state tuition and fees at the institution being attended. The language above stipulates that students are to be responsible for repaying a fixed percentage of the support fee for their chosen field. This fee is paid by the state, reviewed by the legislature every biennium as part of the appropriations process, and known to all parties involved, whereas the tuition and fees charged by more than 26 institutions in 11 states are subject to change and costly to verify.

(2) Whether to include all students or only new and re-entering students in the repayment requirement. The language above would phase-in the payment schedule by beginning with new and re-entering students the first year and adding new and re-entering students every year until all are covered by the provision. This responds to potential implied contractual rights by exempting all continuing students who were accepted in one of the programs during the last three years and who have continued with uninterrupted participation in the education support programs.

(3) Whether to begin the repayment requirement immediately upon graduation or to allow time for residency training. It was proposed that the language be written to allow completion of minimum residency requirements necessary to begin practice, thereby avoiding the possible hardship of payments beginning at graduation, but also precluding delays due to years of advanced training and continuing education that might occur with a "perpetual student."

(4) What percentage of the support fee shall be repaid and what interest rate shall be charged. Repayment was discussed for both 25 percent and 50 percent of the support fee. A 5 percent annual interest rate was frequently mentioned. There was no clear consensus on this point.

(5) Whether to include a provision for service in the state in lieu of some or all of the cash payback; and if so, whether working in geographical areas with special need for their specialty should cause a reduction in service time and/or payment amount. Due to the possible additional administrative cost of this requirement, as well as the belief that it was not wise to try to force young professionals to live and work in Montana if they did not wish to do so, a service option was not included in the draft language. However, Senate Joint Resolution No. 1 was amended to ask the Board of Regents to report on the service option to the Fiftieth Legislature.

A brief comparison of the major student payment or repayment provisions in five other western states is presented in Table 6.

Table 6
Student Payment Requirements for State Support in the WICHE, WAMI, or MRD Programs in Other Western States

State	Established	Student Payment Requirements
Arizona	1953S	Service 1 year for each year of support or payback 50 percent + interest from date completed.
Colorado	1978	Service 1 year for each year of support or payback 100 percent + interest after 1 year grace.
Idaho	1980	WICHE and WAMI medical students pay $3,136 each year while attending medical school.
Nevada	1977	Pay 25 percent with no interest prior to matriculation or 25 percent + interest from date of entry + 3 years of service or pay remaining 75 percent.
Wyoming	1975	WICHE medical students pay $1,000 each year while in school, plus 3 years of service or pay 100 percent at no interest.

The amounts students pay towards the cost of state support in the region ranges from 25 percent prior to university enrollment in Nevada to 100 percent when there is no service in Colorado and Nevada. Idaho medical students pay $3,136 each year towards the support fee while they are attending medical school. Wyoming medical students pay $1,000 each year while attending medical school and reimburse 100 percent of the state fee if they do not practice there for three years. Interest rates charged range from none in Wyoming to rates that begin when a student enrolls in a university and are adjusted regularly by the legislature.

In four of the states there is a service option that may waive all or a portion of the payment requirement. In Arizona the service requirement may be lowered to six months for each year of support if practice is in a geographic area that has exceptional need for the service as determined by the state licensing board. Colorado dropped its requirement and incentive to establish practice in an unserved area in 1981, in part because there were questions as to whether some of the remaining areas had the potential to support a viable practice.

The primary purpose of the WICHE, WAMI, and MRD interstate programs is to provide access for students to professional programs which are not available in Montana. From the state's viewpoint, it is usually considered less expensive to pay the fees for students to go to other states than it is to fund an in-state health graduate program. There are two points related to this purpose that arise when the payment provisions are discussed:

(1) Requiring students to pay some of the costs would not deny them access to the programs and repayment may be considered as a kind of insurance that there will be sufficient funds to continue providing these interstate services to future students.

(2) These three interstate programs provide for graduate education in health professions at state expense. There are other students who must also go out of state for their professional education, but they must pay the full out-of-state tuition and fees without any help from the state. To at least some observers it appears equitable that those who obtain their out-of-state graduate education with help from the state should pay back a portion of that support.

Two options are presented, one for a repayment plan and one for no action. Any provision for payback adopted by the Fiftieth Legislature would be added to Title 20, Chapter 25, Part 8, MCA, rather than to the general appropriations bill, because general appropriation bills are viewed legally as temporary and, therefore, are not codified.

Option A: Adopt a repayment plan for WICHE, WAMI, and Minnesota Rural Dentistry

Option B: Do not adopt a repayment plan for WICHE, WAMI, and Minnesota Rural Dentistry.

ISSUE 2: NUMBER OF SLOTS

There are three primary reasons for reducing the number of WICHE slots for medical students: (1) lack of return to the state, (2) oversupply, and (3) cost savings. These reasons for reducing WICHE slots are explained below.

Lack of Return to the State

Information from the Professional and Occupational Licensing Bureau of the state Department of Commerce and from the WAMI program director indicates that there is a lack of return to practice in the state among professionals who have been supported by Montana appropriations for their graduate education through the interstate programs. Table 7 shows the number and percent of former WICHE, WAMI, and Minnesota Rural Dentistry students who are licensed to practice in the state. There are 629 former students shown with support complete from fiscal 1975 through fiscal 1986 because they either graduated or dropped out of an interstate assistance program during this time period.

Table 7
Number and Percent of Former WICHE. WAMI, and Minnesota Rural Dentistry Students Licensed in Montana

Field	No. With Support Complete FY 1975-1986	No. Licensed in Montana	Percent Return
Occupational Therapy	21	2	10
Medicine	285	55	19
Public Health	7	2	29
Physical Therapy	17	6	35
Dental Hygiene	14	7	50
Optometry	77	41	53
Podiatry	6	4	67
Dentistry	84	58	69
Veterinary Medicine	118	88	75
Total	629	263	42

Officials at the state licensing bureau report their records show that 263 or 42 percent of these 629 former graduate students currently are licensed to practice in Montana. Table 7 shows that the lowest percentage returning to the state are in occupational therapy, all fields of medicine, and public health. The highest percentages of professionals returning to practice in the state are in veterinary medicine, dentistry, and podiatry. Out-of-state student assistance ended for dental hygiene in fiscal 1980 and for physical therapy in fiscal 1981.

Table 8 summarizes the 200 students being supported in fiscal 1987 by field, as reported by the Office of the Commissioner of Higher Education, and gives a breakdown of the $3,899,040 program cost. Cost of the three fields with the highest percentage return to the state, namely veterinary medicine, dentistry, and podiatry, is $906,900 or 23 percent of the total. Cost of the three fields with the lowest percentage return, namely occupational therapy, medicine, and public health, is $2,888,440 or 74 percent of the total cost.

Table 8
Students and Cost of Fiscal 1987 Out-of-State Support Programs

Field	Number Supported FY 1987	Cost Per Student	Total Cost
Occupational Therapy	4	$ 3,900	$ 15,600
Medicine - WAMI	60	31,644	1,898,640
Osteopathic Medicine	9	9,900	89,100
Medicine - WICHE	40	22,000	880,000
Public Health	1	5,100	5,100
Optometry	17	6,100	103,700
Podiatry	3	6,900	20,700
Dentistry - MRD	10	11,100	111,000
Dentistry - WICHE	8	11,100	88,800
Veterinary Medicine	48	14,300	686,400
Total	200		$3,899,040

Moreover, data reported by the WAMI program director clearly shows that the rate of return for WAMI medical students is higher than the rate of return for WICHE medical students. The WAMI director reports that 235 medical students have been admitted to the program between 1973 and 1985, with 81 either completing their education or dropping out. Of that number, 56 are now in practice, with 21 of them in Montana. This makes a 26 percent return rate for WAMI medical students, compared to the combined WICHE - WAMI return rate of 19 percent shown in Table 7. It may be that WAMI students have a higher return rate because the first year of their educational program is at Montana State University, rather than out of state, and their community clinical education is taught in Billings, Missoula, Kalispell, Whitefish, or Great Falls.

Oversupply of Physicians

An oversupply of physicians by 1990 is reported by a Johns Hopkins University team of researchers. In the New England Journal of Medicine, this team reported that there soon will be tens of thousands more doctors in the United States than actually are needed.

The United States Department of Health and Human Services reports that by the year 2000 there will be nearly 700,000 physicians, which is 80,000 more doctors than this country will need. An American Medical Association study concludes that doctors have seen office visits decline from a weekly average of 101 in 1975 to 79 in 1983. As competition grows, incomes will level off or even drop. According to the medical association, average physician income was $106,300 in 1983, a decline of 0.3 percent a year since 1973 after inflation is taken into account. Oversupply is beginning to impact both workload and income levels.

Cost Savings

The cost savings from eliminating one WICHE medical slot in fiscal 1988 would be approximately $93,000. In fiscal 1988, the commissioner's office has requested and current level includes 29 continuing and 6 new WICHE medical students at a cost of $784,000, plus 60 WAMI medical students at a cost of $1,898,618. The total state cost of medical interstate student assistance in fiscal 1988 is $2,682,618.

If all six new slots for WICHE medicine were eliminated in fiscal 1988, the state still would be starting 20 new medical students in the WAMI program. The fiscal 1988 cost savings would be $134,400 and the fiscal 1989 costs savings would be $136,800, for total biennium savings of $271,200. In addition, the 1991 biennium projected savings total $283,680.

If four new slots for WICHE medicine were eliminated in fiscal 1988, the total biennium savings would be $180,800. If half of the proposed new medical slots were cut, the total biennium savings would be $135,600 and the additional 1991 biennium savings are projected to be $141,840.

Option A: Eliminate all six new WICHE medical slots for savings of $134,400 in fiscal 1988 and $136,800 in fiscal 1989.

Option B: Eliminate four new WICHE medical slots for savings of $89,600 in fiscal 1988 and $91,200 in fiscal 1989.

Option C: Eliminate three of the new WICHE medical slots for savings of $67,200 in fiscal 1988 and $68,400 in fiscal 1989.

Option D: Take no action.

TALENT SEARCH

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	6.00	6.00	6.00	6.00	0.00
Personal Service	$120,622	$119,664	$121,822	$121,731	1.4
Operating Expense	37,173	45,808	40,246	39,698	(3.7)
Total Expenditures	$157,795	$165,472	$162,068	$161,429	0.1
Fund Sources					
Federal Revenue	$157,795	$165,472	$162,068	$161,429	0.1

Talent Search is a federal program which provides career and financial aid counseling to students who are low income, physically handicapped, or culturally deprived and who need to complete high school or who plan to enroll in postsecondary education. The program has six service coordinators, one each for Blackfeet, Crow,

Flathead, Fort Peck, Great Falls, and Northern Cheyenne. These coordinators provide personal counseling, financial aid assistance, academic counseling, and career planning one-to-one and in small groups. During fiscal 1986, there were 1,138 students served, an increase of 300 over the prior year. Among the high school students served, 97 percent remained in school under the program's drop-out prevention objective and all received services regarding postsecondary options. Among the college-ready participants--graduating seniors, G.E.D. graduates, postsecondary stop-outs/drop-outs, 64 percent successfully enrolled in a postsecondary institution and an additional 10 percent enlisted in the armed services.

There is no change in FTE for talent search. Personal service increases 1.4 percent due to adjustments in benefits and the beginning of longevity pay. Operating expense decreases 3.7 percent because of the higher appropriated level in fiscal 1987. Total expenditures and federal revenue increase 0.1 percent for the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 9
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	6.00	6.00	0.00
Personal Service	$118,211	$120,622	$(2,411)
Operating Expense	49,360	37,173	12,187
Total Exp. and Fed. Funds	$167,571	$157,795	$ 9,776

Personal service expenses exceeded the appropriation by $2,411. This overexpenditure was caused by the fact that the $4,800 health insurance appropriation was for 4.00 FTE coordinators and there were five less-than-full-time people in these positions eligible for health coverage at a fiscal 1986 annual cost of $6,000. The balance of the difference in personal services was due to a vacancy being filled earlier than projected and the program not meeting its full $4,835 vacancy savings allocation.

Operating expenses were $12,187 less than anticipated with major differences occurring in training and educational supplies. The total fiscal 1986 difference between appropriated and actual expenditures was $9,776.

Current Level Adjustments

The 1.4 percent increase in personal service results from all positions being filled, plus $93 for the beginning of longevity pay, $748 for FICA and workers'

compensation increases, and a $2,382 rise in health insurance to provide coverage for all 4 FTE coordinators. The $91 decrease in fiscal 1989 is the net reduction caused by one less working day offset by increases for longevity, FICA, and workers' compensation. Vacancy savings of 4 percent is $5,025 in fiscal 1988 and $5,017 in fiscal 1989.

Operating expenses increase $3,073 from fiscal 1986 to 1988, as shown on Table 10.

Table 10
Current Level Adjustments to Operating Expenses

Budget Item	FY 86 Actual	(Decrease) Increase	- - - Current Level - - - FY 88	FY 89
Consultation	$ 1,611	$ -0-	$ 1,611	$ 1,876
Insurance	-0-	1,299	1,299	1,299
Janitorial	-0-	166	166	166
Payroll Service Fees	-0-	277	277	277
Audit	469	31	500	-0-
Other Services	240	(240)	-0-	-0-
Computer Processing	135	55	190	184
Printing	592	58	650	300
Telephone	5,047	169	5,216	5,307
Out-of-State Travel	1,176	1,093	2,269	2,269
Miscellaneous Supplies	409	(409)	-0-	-0-
Trash Removal	-0-	16	16	16
Buildings and Grounds	-0-	10	10	10
Indirect Administrative	11,688	548	12,236	12,188
All Other	15,806	-0-	15,806	15,806
Total Operating Expenses	$37,173	$ 3,073	$40,246	$39,698

Consultation remains at the fiscal 1986 level of $1,611 in fiscal 1988 and increases by $265 in fiscal 1989 as requested for staff training. Insurance, janitorial service, payroll service fees, trash removal, and buildings and grounds are increased from zero in fiscal 1986 to a total of $1,768 each year of the biennium to ensure that talent search, rather than general fund appropriated for administration, is paying its share of these overhead costs. These increases were calculated as a proportion of total costs for the items based on the talent search budget, the size of its staff, and the square feet of office space utilized by the program. Likewise, the audit cost increases by $31 as a portion of the total agency increase.

Other purchased services decrease $240 and miscellaneous supplies decrease $409 primarily as proposed by program administrators. Computer processing increases by $55 due to growth of the program and printing is adjusted to $650 in fiscal 1988 and $300 in fiscal 1989 to provide for alternate year printing of program brochures and forms. Inflation causes telephone to increase by $169 in fiscal 1988 and another $91 in fiscal 1989.

Out-of-state travel includes a $1,093 increase each year to enable the staff to participate in annual Western District talent search regional training conferences.

Indirect administrative costs are calculated as allowed by federal regulation. The indirect charges are $12,236 in fiscal 1988 and $12,188 in fiscal 1989 and are applied to rent, electricity, personal service, and a $2,126 general fund transfer.

GUARANTEED STUDENT LOAN

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	4.90	4.90	4.95	4.95	0.05
Personal Service	$137,271	$ 145,000	$ 143,261	$ 143,103	1.5
Operating Expense	544,617	1,040,119	670,031	716,222	(12.5)
Equipment	4,631	10,000	4,500	10,000	(0.9)
Total Expenditures	$686,519	$1,195,119	$ 817,792	$ 869,325	(10.3)
Fund Sources					
Federal Revenue	$686,519	$1,195,119	$ 817,792	$ 869,325	(10.3)

The Guaranteed Student Loan Program, established in 1979 by the legislature, allows eligible students to receive loans from lender institutions which are guaranteed by the federal government. The federal government also advances start-up money and makes administrative cost reimbursements to the program. Outstanding loan volume, which has increased steadily, is projected at $175 million in fiscal 1988 and $200 million in fiscal 1989.

There is a 0.05 FTE increase in accounting staff due to program growth. Personal service increases 1.5 percent due to staff turnover in fiscal 1986. Operating expense decreases 12.5 percent due to $500,000 of authority appropriated for fiscal 1987 cash flow purposes which is not continued in the 1989 biennium.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to allocations as anticipated by the 1985 legislature.

Table 11
Comparison of Actual Expenses to Appropriated Expenses

Budget Item	Legislature	Actual	Difference
F.T.E.	4.90	4.90	0.00
Personal Service	$ 141,300	$137,271	$ 4,029
Operating Expense	984,447	544,617	439,830
Equipment	9,500	4,631	4,869
Total Exp. & Federal Funds	$1,135,247	$686,519	$448,728

Personal services was underspent by $4,029 in fiscal 1986 due to personnel turnover during the year.

Operating expenses were $439,830 less than appropriated primarily due to the accounting methods utilized for this federal program. The unspent operating expense authority has been utilized to cover the time period between when the federal program reimburses participating banks for defaults, the Montana program reimburses the federal program, and the national program collects the delinquencies to again reimburse the agency and bill the state for collection costs. Even though the collection process is ongoing, at the end of each fiscal year the authority to fund these recoveries has been zeroed out, thereby creating the difference between appropriated and actual operating expense. As the program has grown, the amount of operating authority appropriated for this loan recovery process and the unspent difference have increased. The unspent difference for this purpose was about $100,000 in fiscal 1984, $350,000 in fiscal 1985, and $434,000 in fiscal 1986. This accounting method is not continued in current level.

Current Level Adjustments

Because it is projected that the volume of student loans will increase, accounting staff is raised by 0.05 FTE on a transfer from agency administration. Vacancy savings of 4 percent equals $5,969 in fiscal 1988 and $5,963 in fiscal 1989.

Loan volume and federal program changes contribute to operating expenses increasing by $125,414, as summarized in Table 12.

Table 12
Current Level Adjustments in GSL Program

Budget Item	FY 1986 Actual	FY 1988 (Decrease) Increase	FY 1988 Current Level	FY 1989 Current Level
Professional Services	$451,557	$ 98,443	$550,000	$596,200
Insurance	30	1,028	1,058	1,058
Payroll Service Fees	-0-	226	226	226
Audit Fees	4,706	(2,306)	2,400	2,400
Work Study Contracts	15,000	10,000	25,000	25,000
Computer Processing	1,783	724	2,507	2,422
Printing	10,058	2,942	13,000	13,000
Supplies	2,500	750	3,250	3,250
In-State Travel	7,671	2,202	9,873	9,873
Out-of-State Travel	10,693	1,391	12,084	12,084
Loan Collection Fees	3,407	4,093	7,500	7,500
All Other	37,212	5,921	43,133	43,209
TOTAL	$544,617	$125,414	$670,031	$716,222

Professional services are billed monthly by the U.S. Loan Fund, Inc. of Indianapolis for the services provided on each loan. These charges increase by $98,443 in fiscal 1988 and by $46,200 in fiscal 1989 due to increasing loan volume, the addition of new loan programs, and new federal regulations that will increase the recordkeeping. The agency's increased insurance costs are prorated based on FTE and office space to prevent the general fund appropriation for administration from paying this overhead cost of the federal program. For the same reason, insurance increases by $1,028 and payroll service fees of $226 are added for the first time.

Audit fees are $4,800 for the 1989 biennium and are included at $2,400 each year to comply with bond market requirements for an annual audit. Work study contracts increase by $10,000 to $25,000 each year to comply with new federal regulations that require a thorough, uniform methodology for eligibility determination in this program and the other Title IV programs. Computer processing, printing, and supplies increase by a total of $4,416 due to more loans, more participating banks, and revised federal regulations.

In-state travel increases by $2,202 to enable staff to meet with and to train bankers for participation in the program. Considerable turnover in banking loan departments requires frequent statewide travel. In addition, the program staff is required to review the banks' loan records and to meet with personnel of the participating campuses to train them in the changing federal regulations. Out-of-state travel increases by $1,391 due to increased trips to Indianapolis as a result of federal revisions. Loan collection fees are billed from Washington and increase by $4,093 due to more program loans. There are $5,921 of miscellaneous increases for telephone, room rental, postage, dues to the National Council of Higher Education, trash removal, and training fees.

Equipment is $4,500 in fiscal 1988, with $2,500 for a word processor and $2,000 for files and related office items. The $10,000 equipment budget in fiscal 1989 includes $2,500 for a computer terminal and $7,500 for a copy machine.

MODIFIED REQUESTS

All six modified requests submitted by the commissioner's office utilize funds other than general fund for support. Five of the six programs have been operating under budget amendments since the 1987 biennium and four of these were approved in House Bill 21 during Special Session III. These six modified requests totaling approximately $9 million each year of the biennium are summarized below.

Table 13
Commissioner's Office Modified Requests Utilizing Other Funds for Support

Program	FY 86 Actual	FY 87 Budget	- - Current Level - - FY 88	FY 89
Carl Perkins Scholarships	$ -0-	$ 50,000	$ 50,000	$ 50,000
Education for Economic Security	117,577	65,000	58,000	58,000
Group Insurance Program	5,999,381	8,302,000	8,739,609	9,205,338
Federal Indirect Costs	11,688	11,186	12,236	12,188
Wellness Program	976	1,992	1,680	2,000
Guaranteed Student Loan	-0-	-0-	36,042	36,883
Total Expenses	$6,129,622	$8,430,178	$8,897,567	$9,364,409
Fund Source				
Federal Revenue	$ 129,265	$ 126,186	$ 156,278	$ 157,071
Annuity and Life Income	5,999,381	8,302,000	8,739,609	9,205,338
Insurance Premiums	976	1,992	1,680	2,000
Total Revenue	$6,129,622	$8,430,178	$8,897,567	$9,364,409

Carl D. Perkins Scholarship Program is designed to provide ten annual scholarships of $5,000 each to outstanding high school students in Montana to encourage them to pursue careers as teachers. The Governor designated the Board of Regents and the commissioner's office to administer this new program in fiscal 1987, pursuant to provisions of the Higher Education Act of 1965 as amended by P. L. 98-558. The United States Department of Education guidelines state that the administering agency for this new postsecondary education scholarship program must be the agency already designated for the State Student Incentive Grant Program or the Guaranteed Student Loan Program.

As approved in House Bill 21 for fiscal 1987, the Perkins scholarships are a new federal component of the Student Assistance Program. Criteria for selection of the scholarship recipients were developed by the regents in cooperation with the Office of Public Instruction, Montana Education Association, Montana Federation of Teachers,

Montana Council of Teachers of Mathematics, and the Deans of Education at Montana Postsecondary Institutions.

Award recipients enter into an agreement to teach on a full-time basis for a period of not less than two years for each year in which they receive a scholarship. This requirement to teach two years is reduced by one-half if the Perkins scholar teaches full time in a low-income school or educates handicapped children. If the recipient fails to meet these conditions, the scholar repays the amount of the scholarships received prorated according to the portion of the obligation not completed plus a simple, per annum interest charge on the outstanding principal. If the recipient ceases to pursue the degree program for which the award was made, the person is responsible for repaying the scholarship plus interest which is accrued from the date of the initial grant, adjusted annually, and set at a rate which is the greater of 14 percent or 5 percent above the 90-day treasury bill rate for the most recent quarter.

The Carl D. Perkins Scholarship Program modification has no impact on the general fund and if the federal funds were no longer available in a future year, there would be no impact on the general fund. The total modification is $50,000 each year of the biennium.

Education for Economic Security under Title II of the Education for Economic Security Act is designed to upgrade the teaching skills of educators in the mathematics and science disciplines. The fiscal 1986 expenditures for this program were $117,577, authorized by budget amendment, and the fiscal 1987 budget of $65,000 was approved in House Bill 21 during Special Session III. There are no FTE associated with this program; however, $1,364 is budgeted each year of the 1989 biennium for supplies, postage, and other administrative costs associated with making these grants. This leaves $56,636 to be awarded each year to colleges and universities in Montana.

As required by the federal act, the commissioner's and the superintendent's office have completed a statewide needs assessment on the teaching of mathematics, science, computer learning, and foreign languages in Montana. Competitive proposals designed to respond to the priority needs are submitted annually by postsecondary institutions in the state. Grants are awarded based on the decisions of a review panel comprised of representatives from the commissioner's office, the Office of Public Instruction, and school districts. The six projects funded last year were at Carroll College, Dawson Community College, Eastern Montana College, Great Falls Vo-Tech Center, Montana State University, University of Montana, and Western Montana College. In addition to upgrading skills in the mathematics and science disciplines, each project includes evaluation components such as the numbers of teachers served, the numbers of students indirectly served, the pre- and post-training measures of teaching performance, and assessments by participants.

House Bill 21 deliberations affirmed that Education for Economic Security has no impact on the general fund. In the event federal funds under this act are not available in future years, there will be no impact on the general fund.

University System Group Insurance Program was established as an accounting function of the Office of the Commissioner of Higher Education in House Bill 21 for fiscal 1987. From fiscal 1984 through fiscal 1986, this was an auxiliary account at Montana Tech because of uncertainty over whether the commissioner's office could retain interest income on the insurance program reserves in the state accounting system. Issues about agency placement of this program and retention of interest

earnings were raised and discussed by the Legislative Auditor, the Accounting Division of the Department of Administration, and the Board of Investments. This led to the fiscal 1987 transfer of the University System Group Insurance Program from Montana Tech to the commissioner's office as an enterprise fund of the state's fund structure.

Historically, the Board of Regents has been responsible for providing university system employees with group benefits, pursuant to 2-28-808 and 809, 20-2-114, and Title 20, Chapter 25, MCA. Board of Regents' guidelines for the partially self-insured group insurance program for university system employees are contained in policy item 51-901-R0696. Policy stipulations are that all costs associated with administration of the plan are to be paid from insurance premiums collected and interest earned on the reserve balances. Administrative costs shall not exceed the amount of premium tax savings that would be incurred under a conventional group plan plus any interest earned on reserves because it is the intent of the regents that this plan be more cost efficient than conventional insurance.

As approved in House Bill 21, the transfer of this program added 2.5 FTE to the commissioner's office and terminated one professional FTE in the Montana Tech auxiliary account. The fiscal 1988 and 1989 planned program expenditures in the commissioner's office are summarized below.

Table 14
University System Group Insurance Program Expenditures
Fiscal 1988 and 1989

Budget Item	Fiscal 1988	Fiscal 1989
Personal Service	$ 74,500	$ 74,429
Operating Costs		
Professional Services	25,000	25,000
Audit Fees	12,000	12,000
Computer Processing	12,000	12,000
Supplies and Training	3,070	3,070
Telephone	750	750
Travel	4,989	4,989
Computer Maintenance	1,300	1,300
Wellness Funds to Campuses	290,000	340,000
Total Operating Costs	$ 349,109	$ 399,109
Non-Operating Costs		
Claims	6,736,000	7,072,750
Premiums	1,580,000	1,659,050
Total Expenses	$8,739,609	$9,205,338

Personal service costs shown above include 2.5 FTE with salaries of $62,024 in fiscal 1988 and $61,850 in fiscal 1989, plus related benefits and insurance expenses of approximately $12,500 per year.

Operating costs total $349,109 in fiscal 1988 and $399,109 in fiscal 1989. The $50,000 increase the second year of the biennium is due to additional wellness funds being distributed to the campuses for health promotion. The wellness funds are used to help contain health insurance costs by aiding employees and their families in maintaining or improving their physical and mental health through education on healthy lifestyles and risk-reduction activities such as blood pressure screening and exercise programs. Distribution of these health promotion funds to the commissioner's office are cited below under the Wellness Program modification.

Non operating costs total $8,316,000 in fiscal 1988 and $8,731,800 in fiscal 1989 or 95 percent of total expenses each year.

Federal Program Indirect Costs are presented in order to comply with a change in the accounting of federal indirect cost recoveries by the Accounting Division of the Department of Administration effective July 1, 1987. This change will require $12,236 of appropriation authority in fiscal 1988 and $12,188 in fiscal 1989 at the commissioner's office to properly record transfer of federal funds to the state general fund.

As originally approved in House Bill 21, this indirect cost recovery is from the federally-funded Talent Search Program. According to agency officials, federal regulations do not allow indirect cost recovery on any of the other programs at the commissioner's office which receive federal revenue.

Wellness Program modification at the commissioner's office is requested in the amount of $1,680 in fiscal 1988 and $2,000 in fiscal 1989. The purpose is the same as described above under the wellness distribution of group insurance program funds to the campuses. Expenditures for this program were $976 in fiscal 1986 and are budgeted at $1,992 in fiscal 1987. There are no FTE or operating expenses associated with this program and there is no impact on the general fund.

Guaranteed Student Loan Program is requesting the addition of 1.0 FTE Program Consultation and Assessment Specialist plus related operating costs for total expenses of $36,042 in fiscal 1988 and $36,883 in fiscal 1989. Total expenses would be funded with federal revenue and there would be no impact on the general fund. In the event these federal funds were no longer available in the future, there would be no impact on the general fund.

This new specialist would be responsible for reviewing 30 participating schools and 180 participating lenders every two years, in compliance with the United States Department of Education requirements for accountability reports from the state program. A secondary job responsibility of this new employee would be to assist in conducting 25 workshops and training sessions annually for postsecondary institutions and banks. The specialist would also assist present staff in providing consultation to participating schools and banks. According to program representatives, the number of student loans and the number of lenders has increased to the point where the present 4.95 FTE cannot handle the workload.

COMMUNITY COLLEGES
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE FY '89	Biennium General Fund	Biennium Unrestricted Budget
Executive Budget	N/A	$6,213,244	$12,680,092
LFA Current Level	N/A	6,266,309	12,693,360
Executive Over (Under) LFA	N/A	$ (53,065)	$ (13,268)

The executive budget is under the LFA current level by $53,065 in general fund and by $13,268 in the total current unrestricted budget. The primary reasons for these differences are summarized in the four issues below.

ISSUE 1: STUDENT ENROLLMENT

The executive budget freezes student enrollment at fall 1986 levels for the 1989 biennium, while enrollment is maintained at the fiscal 1986 level in LFA current level. As shown below, this means the executive budget provides funding for 31 fewer students each year. The executive budget exceeds the LFA current level at Dawson Community College by 18 students or 4.4 percent. Enrollment at Flathead Valley Community college is under by 28 students for a 3.1 percent difference. At Miles Community College the enrollment difference is 21 students or 5.2 percent. This lower enrollment makes the executive's unrestricted budget $225,184 less than LFA current level.

Table 1
Executive - Over (Under)

College	Executive	Current Level	Current Level	Percent Difference
Dawson	406	388	18	4.4
Flathead	900	928	(28)	(3.1)
Miles	403	424	(21)	(5.2)
Total	1,709	1,740	(31)	(1.8)

ISSUE 2: COST FACTOR

The executive budget uses a cost factor of $3,694 per student each year of the biennium. The LFA current level cost factor per student is $3,622 in fiscal 1988 and $3,642 in fiscal 1989. The executive cost factor is $72 higher per student the first year and $52 higher per student the second year. The executive budget cost factor adds $211,916 more to the unrestricted budget than the LFA current level cost factor. Issue 1 and Issue 2 together explain the $13,268 unrestricted budget difference.

ISSUE 3: PERCENTAGE OF STATE SUPPORT

The executive budget provides 49 percent state support for the community colleges unrestricted budget. LFA current level includes 49.4 percent state support for the unrestricted budget, consistent with legislative decisions during Special Session III. Therefore, the executive budget is $57,061 lower in general fund than LFA current level.

ISSUE 4: SUPPORT OF AUDIT COST

The executive budget also provides 49 percent state support of the $54,000 audit cost, while LFA current level includes 41.6 percent funding for the audits consistent with the 1987 biennium policy. This difference makes the executive budget general fund support for the audits $3,996 higher than LFA current level. Issue 3 and Issue 4 together explain the $53,065 general fund difference.

COMMUNITY COLLEGES

Community College	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
Dawson	$ 741,334	$ 723,768	$ 701,724	$ 698,070	(4.5)
Flathead Valley	1,577,827	1,538,773	1,667,929	1,669,609	7.1
Miles	865,002	839,979	766,138	762,839	(10.3)
Total Funds	$3,184,163	$3,102,520	$3,135,791	$3,130,518	(0.3)
Fund Source					
General Fund	$3,184,163	$3,102,520	$3,135,791	$3,130,518	(0.3)

ISSUES:	- - - - - - Fiscal 1988 - - - - - General Fund	Other Funds	- - - - - - Fiscal 1989 - - - - - General Fund	Other Funds
1. Tuition Increase Option A - 42.5%	$(434,857)	$ -0-	$(437,259)	$ -0-

The state's three community colleges, Dawson in Glendive, Flathead Valley in Kalispell, and Miles in Miles City, are organized in accordance with the provisions of Title 20, Chapter 15, MCA. Each community college district has an elected board of trustees accountable to and supervised by the Board of Regents.

Dawson Community College decreases 4.5 percent because the 1987 biennium appropriation was based on enrollment projections that were higher than actual student FTE. When lower enrollment figures are used for fiscal 1988 and 1989, the appropriation decreases. Flathead Valley Community College increases 7.1 percent due to the fact that the 1987 biennium appropriation was based on enrollment projections that were lower than the actual number of students. Miles Community College decreases 10.3 percent because the fiscal 1986 appropriation was based on 40 more students than actually attended.

Systemwide, the community college general fund appropriation decreases 0.3 percent from the 1987 to the 1989 biennium.

Fiscal 1986: Comparison of Actual to the Budgeted Enrollment

The following table compares fiscal 1986 actual student enrollment to the enrollment anticipated by the 1985 legislature.

Table 1
Comparison of the Anticipated to Actual Student Enrollment - Fiscal 1986

Community College	Legislature	Actual	Difference
Dawson	400	388	12
Flathead Valley	850	928	(78)
Miles	464	424	40
Total FTE	1,714	1,740	(26)

Student enrollment anticipated by the legislature was 1,714 FTE and actual enrollment was 26 FTE greater than projected, or 1,740. Dawson Community College had 12 FTE less than anticipated and Miles Community College had 40 fewer students than projected. Flathead Valley Community College exceeded the anticipated level by 78 FTE. If the legislature had appropriated general fund based on these enrollment figures, there would have been a general fund increase of $74,552. The general fund appropriation for Dawson Community College would have decreased by $11,924 for fiscal 1986, Flathead Valley Community College would have increased by $155,162, and Miles Community College decreased by $68,686.

FUNDING FORMULA VARIABLES

The community college funding formula determines both the unrestricted budget and the general fund appropriation for the community colleges. The general fund variables of the community college funding formula are: (1) student FTE, (2) cost factor per student, and (3) percentage of state support for the unrestricted budget. During the 1981 session, it was decided that the number of FTE times the cost per student would determine the total unrestricted budget of the colleges. After the general fund is appropriated, the balance of the unrestricted budget is financed by the mandatory mill levy, student tuition and fees, and miscellaneous revenue.

Projected FTE

Fiscal 1986 student enrollment of 1,740 FTE is maintained for the 1989 biennium. Fifteen credit hours equals one FTE student at the community colleges. FTE students used in the funding formula are 388 for Dawson, 928 for Flathead Valley, and 424 for Miles. The fiscal 1986 enrollment is maintained because there are some facts which would appear to indicate an increase, but there are equal considerations for a decrease, and none of the trends are conclusive.

Systemwide, the factors which appear to indicate an enrollment increase include: (1) high school graduates in Montana will increase by 3 percent for fiscal 1988 potential students and by 2 percent for fiscal 1989; (2) in fiscal 1987 the colleges are offering more data processing, business, technical, and basic education courses; and (3) fall 1986 enrollment is up at two colleges.

At the same time, factors which indicate a potential enrollment decrease include: (1) testimony before the Joint Education Subcommittee during Special Session III that more than 130 classes were being cancelled; and (2) analysis of fall enrollment data

compared to fiscal year total enrollment for the last three years, as summarized in Table 2, shows that the average annual decrease from fall to total enrollment is 12.6 percent. Specifically, Dawson could be anticipated to decrease 14.1 percent for a fiscal 1987 enrollment of 349 FTE students. Flathead Valley could be expected to increase by 2.3 percent for a fiscal 1987 enrollment of 921 FTE. Miles could be projected to decrease by 29.4 percent to 332 students for fiscal 1987.

Table 2
Analysis of Fall Enrollment Data for Community Colleges

College	1983 Fall	FY 84 Total	1984 Fall	FY 85 Total	1985 Fall	FY 86 Total	Average % Change Fall: Total	1986 Fall	Calculated FY 87 Total
Dawson	406	387	462	453	500	388	(14.1)	406	349
Flathead	770	783	853	849	899	928	2.3	900	921
Miles	634	464	467	455	424	424	(29.4)	470	332
Total	1,810	1,634	1,782	1,757	1,823	1,740	(12.6)	1,776	1,602

Cost Factor Per Student

The cost factor per student is the aggregate expense for personnel, operating costs, and equipment at the three community colleges for one full-time equivalent student. The cost per FTE student for fiscal years 1984 through 1989 is summarized in Table 3.

Table 3
Community College FTE Student Cost Factor
Fiscal 1984 - 1989

Fiscal Year	Cost Factor	% Change
1984	$3,325	---
1985	3,388	1.89
1986	3,574	5.49
1987	3,611	1.04
1988	3,622	0.30
1989	3,642	0.55

The cost factor, as shown above, is $3,622 for fiscal 1988 and $3,642 for fiscal 1989. These rates were calculated by starting with the fiscal 1986 community college unrestricted budget totaling $6,270,452 as the base. The inflation rates for fiscal 1987, 1988, and 1989 increased the base budget. This method resulted in average operating cost increases of 0.07 percent for fiscal 1987, 2.74 percent for fiscal 1988, and 2.53 percent for fiscal 1989. Because operating expenses average 22.1 percent of the total community college budget, these inflationary increases were applied only to that portion of the cost factor.

Likewise, the approved pay plan of $45,028 for fiscal 1987 increased personal services by 0.92 percent. This increase was applied to 77.9 percent of the cost factor, which represents the personal services portion of the cost per FTE student.

The result of these adjustments is a fiscal 1988 cost factor of $3,622 and a fiscal 1989 cost factor of $3,642, which are used in current level. The fiscal 1987 general fund five percent cut was not applied to the cost factor because the legislature decided during Special Session III to make that reduction in percentage of state support.

Percentage of State Support

The 1985 biennium community college fund appropriation was based on 53 percent state support. The 1987 biennium general fund appropriation was based on 52 percent state support for fiscal 1986. When the legislature approved the 5 percent across-the-board cut during Special Session III, the outcome was to reduce the percentage of state support to 49.4 percent for fiscal 1987.

During the last regular session, the legislature funded the audit cost of $60,000 at 41.6 percent for a general fund appropriation of $24,960. The audit cost for the 1989 biennium is reduced to $54,000 or $18,000 per college. Funding this cost at 41.6 percent requires a general fund appropriation of $7,488 per college for a total of $22,464.

State general fund support of the community colleges unrestricted budget is maintained in current level at 49.4 percent and the audits continue to be supported at 41.6 percent. The calculations for the unrestricted community college budget and general fund appropriation are presented below.

Table 4
Fiscal 1988 and 1989 Current Level General Fund Support

Community College	FY88 FTE		Cost Factor		Unrestricted Budget		% State Support		General Fund	Audit Costs	Total Gen Fund
FISCAL 1988											
Dawson	388	X	$3,622	=	$1,405,336	X	49.4	=	$ 694,236	$7,488	$ 701,724
Flathead Valley	928	X	3,622	=	3,361,216	X	49.4	=	1,660,441	7,488	1,667,929
Miles	424	X	3,622	=	1,535,728	X	49.4	=	758,650	7,488	766,138
Audits					54,000						
Total	1,740				$6,356,280				$3,113,327	$22,464	$3,135,791
FISCAL 1989											
Dawson	388	X	$3,642	=	$1,413,096	X	49.4	=	$ 698,070	$ -0-	$ 698,070
Flathead Valley	928	X	3,642	=	3,379,776	X	49.4	=	1,669,609	-0-	1,669,609
Miles	424	X	3,642	=	1,544,208	X	49.4	=	762,839	-0-	762,839
Total	1,740				$6,337,080				$3,130,518	$ -0-	$3,130,518

Dawson Community College general fund decreases 4.5 percent to $701,724 for fiscal 1988 and $698,070 for fiscal 1989. Flathead Valley Community College general fund increases 7.1 percent to $1,667,929 in fiscal 1988 and $1,669,609 in fiscal 1989. Miles Community College general fund decreases 10.3 percent to $766,138 for fiscal 1988 and $762,839 for fiscal 1989. The 1987 to 1989 biennium general fund change systemwide is a 0.3 percent decrease.

ISSUE 1: TUITION INCREASE

The tuition and fees at Montana community colleges are less than at other such institutions in the west. Table 5 compares tuition and fees for the three state community colleges with other public community colleges in the west.

Table 5
Student Tuition and Fees For Fiscal 1985 and 1986

College	Fiscal 1985	Fiscal 1986	% Change
Dawson Community College	$450	$486	8.0
Flathead Valley Community College	383	450	17.5
Miles Community College	390	501	28.5
Montana Average	408	479	17.4
West Average	529	571	7.9

Source: WICHE 1985-86 Information Series 10

Although the 17.4 percent increase in Montana's average tuition and fees from fiscal 1985 to 1986 was higher than the average 7.9 percent increase among public community colleges in the west, tuition and fees at the three community colleges remain lower than the average. Fiscal 1986 tuition and fees at the three community colleges average $479, or $92 less per student than the west average.

If students were to pay tuition and fees at the west average of $571 during fiscal 1988 and 1989, then the community colleges could anticipate raising an additional $895,783 for the biennium as summarized in Table 6.

Table 6
Additional Revenue if Tuition and Fees Were at West Average

Tuition	Dawson	Flathead	Miles	Total
Tuition Rate @ $571	$443,096	$1,059,776	$484,208	$1,987,080
Present Budgeted Tuition	230,000	554,000	307,297	1,091,297
Increased Tuition	$213,096	$ 505,776	$176,911	$ 895,783

Table 7 shows the change in the percentage of state general fund support that could result if tuition and fees were established at 100 percent of the west average.

Table 7
Percentage of State Support if Tuition Were at West Average

Calculations	Dawson	Flathead	Miles
Current Level General Fund	$1,399,794	$3,337,538	$1,528,977
Minus Increased Tuition	(213,096)	(505,776)	(176,911)
Net General Fund	1,186,698	2,831,762	1,352,066

Community College Net General Fund / Unrestricted Budget = $5,370,526 / $12,639,300 = 42.5% State Support

As Table 7 shows, if tuition and fees were raised to 100 percent of the peers, then state support could be reduced to an average of 42.5 percent of the community college budget. The general fund savings would be $434,857 in fiscal 1988 and $437,259 in fiscal 1989 for a biennium total of $872,116.

Option A: Reduce state support to 42.5 percent for a general fund savings of $872,116.

Option B: Take no action.

MONTANA AGRICULTURAL EXPERIMENT STATION MAIN STATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	231.91	$12,238,382	$16,234,988
LFA Current Level	242.00	11,775,539	16,162,145
Executive Over (Under) LFA	(10.09)	$ 462,843	$ 72,843

The executive budget is $72,843 higher in total funds and $462,843 higher in general fund than LFA current level. The executive budget has higher general fund because it replaces declining federal funds and product sales revenue with general fund. There are four primary areas of difference within the total budget.

ISSUE 1: FTE AND PERSONAL SERVICE COSTS

The executive budget has 10.09 fewer FTE and, excluding vacancy savings, the executive budget has $478,646 less in personal service costs than LFA current level.

ISSUE 2: VACANCY SAVINGS

The executive budget took $240,642 less vacancy savings than LFA current level due to exempting faculty compensation from the 4.0 percent vacancy savings policy.

ISSUE 3: OPERATING EXPENSE

The executive budget has $22,119 less operating expense than LFA current level primarily due to the executive taking greater cuts in supplies and travel.

ISSUE 4: EQUIPMENT

The executive budget includes $332,966 more for equipment and capital than LFA current level.

UNITED STATES LIVESTOCK AND RANGE RESEARCH LABORATORY
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	26.68	$ -0-	$664,821
LFA Current Level	16.50	-0-	690,000
Executive Over (Under) LFA	10.18	$ -0-	$ (25,179)

The executive budget is $25,179 less for the biennium than LFA current level because the executive changed the agency request by taking $27,084 for vacancy savings and adding $1,905 for inflation.

The executive budget is 10.18 FTE higher than LFA current level. The executive budget has a 9.45 FTE decrease from the 36.13 FTE fiscal 1986 approved level. LFA current level used the fiscal 1987 average compensation rate per FTE of $20,382. The funds available in the 1989 biennium would support 16.50 FTE at the fiscal 1987 average compensation.

MONTANA AGRICULTURAL EXPERIMENT STATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	291.70	291.70	258.50	258.50	(33.20)
Personal Service	$6,844,711	$7,384,546	$6,835,061	$6,865,861	(3.7)
Operating Expense	1,478,861	1,690,680	1,445,375	1,468,420	(8.1)
Equipment	223,102	29,797	119,553	117,875	(6.1)
Total Expenditures	$8,546,674	$9,105,023	$8,399,989	$8,452,156	(4.5)
Fund Sources					
General Fund	$5,953,382	$5,752,574	$5,861,686	$5,913,853	0.6
State Special	826,446	1,454,492	865,000	865,000	(24.2)
Federal Revenue	1,766,846	1,897,957	1,673,303	1,673,303	(8.7)
Total Funds	$8,546,674	$9,105,023	$8,399,989	$8,452,156	(4.5)

The Montana Agricultural Experiment Station was established in 1893 at the state's land-grant university in Bozeman to conduct and promote studies, scientific investigations, and experiments relating to agriculture, natural resources, and rural life and to provide information thereby acquired to the people of Montana. In addition to the campus research departments, there are seven applied research centers located around the state to serve specific agricultural areas and to be representative in soil, climate, and other variables for research tests.

The agricultural experiment station budget consists of two primary components -- the Main Station and its research centers, and the United States Livestock and Range Research Laboratory at Miles City. Personal service decreases 3.7 percent due to 33.20 FTE reductions. There have been operating expense cuts across-the-board for an 8.1 percent reduction resulting from loss of federal and state special revenue. Equipment decreases 6.1 percent primarily due to the revenue shortfall.

Fund sources for the Main Station include general fund, state special revenue derived from the sale of livestock and agricultural products, federal Hatch Act formula funds, and federal multi-state regional research funds. The range laboratory is funded solely by state special revenue derived from cattle sales. State special revenue has decreased 24.2 percent from the 1987 to the 1989 biennium and federal funds have been reduced 8.7 percent thereby causing personnel and operating reductions. General fund increases 0.6 percent due to the impact of inflation on several major expense categories.

MAIN STATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	255.57	255.57	242.00	242.00	(13.57)
Personal Service	$6,344,008	$6,648,270	$6,498,761	$6,529,561	0.3
Operating Expense	1,445,559	1,494,264	1,439,675	1,462,720	(1.3)
Equipment	220,652	27,997	116,553	114,875	(6.9)
Total Expenditures	$8,010,219	$8,170,531	$8,054,989	$8,107,156	(0.1)
Fund Sources					
General Fund	$5,953,382	$5,752,574	$5,861,686	$5,913,853	0.6
State Special	289,991	520,000	520,000	520,000	29.4
Federal Revenue	1,766,846	1,897,957	1,673,303	1,673,303	(8.7)
Total Funds	$8,010,219	$8,170,531	$8,054,989	$8,107,156	(0.1)

The Main Station budget funds agricultural research at 13 departments in Bozeman and at seven applied research centers, specifically, central in Moccasin, western in Corvallis, northern in Havre, southern in Huntley, northwestern in Kalispell, eastern in Sidney, and western triangle in Conrad. There are seven advisory committees comprised of representatives from the area served by each center and a statewide agricultural experiment station advisory council consisting of delegates elected by the local committees. From fiscal 1986 to 1987 the number of research projects increased from 139 to 141.

Personnel are decreased by 13.57 FTE from fiscal 1986. Personal service increases 0.3 percent due to the vacancy savings during the 1987 biennium and to the increased costs of benefits. Equipment decreases 6.9 percent. State special cattle and ag-related sales revenue increases 29.4 percent in order to provide an opportunity for the agency to reverse the fiscal 1986 revenue loss and to maintain this program. Federal revenue declines 8.7 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	255.57	255.57	0.00
Personal Service	$6,423,266	$6,344,008	$ 79,258
Operating Expense	1,633,850	1,445,559	188,291
Equipment	225,000	220,652	4,348
Total Expenditures	$8,282,116	$8,010,219	$271,897
Funding			
General Fund	$5,954,537	$5,953,382	$ 1,155
State Special	520,000	289,991	230,009
Federal Revenue	1,807,579	1,766,846	40,733
Total Funds	$8,282,116	$8,010,219	$271,897

The Agricultural Experiment Station spent $271,897 less than appropriated in fiscal 1986 with most of the reductions caused by a $230,009 loss in state special cattle and ag-related sales revenue and a $40,733 cut in federal revenue.

The personal service difference of $79,258 is due to vacancy savings. Operating expenses were cut $188,291 in all categories except utilities and hay. There were reductions of $7,000 in computer processing, $84,000 in supplies, $4,000 in communications, $24,000 in travel, $23,000 in leased equipment, $37,000 in repair and maintenance, and $9,291 in miscellaneous items. There were additional cuts of $4,348 in equipment.

Current Level Adjustments

Personal Service. The Montana Agricultural Experiment Station's general fund was increased only to reflect inflation for the level of service general fund supported in the 1987 biennium. This required reductions of 13.57 FTE. A 4 percent vacancy savings factor was applied to all except work study and university recharge funds, for a budget reduction of $251,238 each year. If vacancy savings had not been utilized, an additional 8.90 FTE reduction would have been necessary.

Table 2 compares the average salary appropriated by the legislature and that budgeted by the agency in fiscal 1987, plus the resulting FTE change. Due to the higher average salaries 8.66 FTE were reduced.

Table 2
Comparison of Appropriated to Actual Personal Service Costs
Fiscal 1987

Category	Legislature	Agency	Difference	% Change
		Average Salary		
Faculty	$30,555	$31,351	$ 796	2.6
Professional	25,643	25,516	(127)	(0.5)
Classified	17,038	17,347	309	1.8
GRA	17,780	17,965	185	1.1
Part-time	12,764	16,433	3,669	28.8
		FTE		
Faculty	92.42	90.07	(2.35)	(2.5)
Professional	22.90	23.02	0.12	0.5
Classified	103.48	101.65	(1.83)	(1.8)
GRA	17.00	16.82	(0.18)	(1.1)
Part-time	19.77	15.35	(4.42)	(22.4)
Total	255.57	246.91	(8.66)	

For the 1989 biennium, the agency's budgeted average salary by category is used. FTE are reduced to maintain a constant level of general fund support which reflects the legislative action in special session and the policy of not using general fund to replace decreasing federal funds and other revenue. The agency's revised fiscal 1987 operations plan was used as the base and all personnel categories were rounded to the nearest whole equivalent position. In addition, 2.0 FTE classified were cut, for a total reduction of 13.57 FTE from the fiscal 1986 level. Table 3 shows the 242 FTE, average salary, and total personal service costs for the 1989 biennium.

Table 3
Main Station FTE and Average Salaries for the 1989 Biennium

Category	FTE	Average Salary	Total Cost
Faculty	90	$31,351	$2,821,590
Professional	23	25,516	586,868
Classified	96	17,347	1,665,312
GRA	16	17,965	287,440
Part-time	17	16,433	279,361
Total FTE and Salaries	242		$5,640,571
Benefits			862,443
Insurance			246,985
Vacancy Savings			(251,238)
Total Personal Costs			$6,498,761

Operating Expenses. Current level operating expenses are reduced $39,558 in seven categories and increased $33,674 due to inflation, for a net decrease of $5,884 as summarized in Table 4.

Table 4
Current Level Adjustments to Operating Expenses

Budget Item	Fiscal 1986 Actual	(Decrease) Increase	FY88 Current Level
Veterinary Service	$ 12,374	$(2,365)	$ 10,009
Insurance	14,452	13,039	27,491
Contractual Services	4,556	(800)	3,756
Gasoline	36,195	(2,535)	33,660
Hay	30,926	(14,926)	16,000
Laboratory Supplies	75,000	(1,500)	73,500
Advertising and Bids	9,624	(5,000)	4,624
Out-of-State Travel	53,063	(2,000)	51,063
General Travel	12,002	(3,002)	9,000
Electricity	97,491	19,255	116,746
Natural Gas	74,457	1,377	75,834
Subscriptions	6,188	(330)	5,858
Interest Penalty	100	(100)	-0-
MSU Recharges/Other General	105,758	(7,000)	98,758
All Other	913,373	3	913,376
Total	$1,445,559	$(5,884)	$1,439,675

Table 4 shows that veterinary service is decreased $2,365 to the appropriated level. Current level insurance costs increase by $13,039 or 90.2 percent to $27,491, primarily because automobile insurance goes up 31 percent, and fire protection is included by the state Department of Administration for the first time. Contractual services for harvesting are reduced by $800. Gasoline is decreased by $2,535 due to declining prices. Hay is reduced by $14,926 due to reduced numbers of cattle and to the end of the drought. Advertising and bid costs are $4,624 compared to the $4,603 spent in fiscal 1985. Out-of-state travel is reduced $2,000 and general travel is reduced $3,002. General travel includes $2,000 for the advisory council, $1,000 for the national land-grant institutions meeting, and $6,000 for interviewing new employees, for a total of $9,000. This compares with $21,809 expended in fiscal 1985.

Due to inflation, electricity increases $19,255 in fiscal 1988 and an additional $18,212 in fiscal 1989. Likewise, inflation causes a $1,377 increase in natural gas for fiscal 1988 and a $2,275 increase for fiscal 1989. Subscriptions are reduced to $5,858, which is consistent with expenditures for prior years. Interest penalty is reduced by $100 to zero and Montana State University recharges and other general items are reduced by $7,000 to include $63,782 for university operating recharges, $10,500 for water rights assessments, $9,500 for Hatch Western District, $5,976 for work study administration, and $9,000 for field days and expositions.

These current level adjustments for fiscal 1988 make total operating expenses of $1,439,675. Gasoline, electricity, and natural gas increase by $23,045 for fiscal 1989

inflation, thereby accounting for operating expenses of $1,462,720.

Equipment. Current level equipment averages $115,714 each year of the biennium. This is a 6.9 percent decrease from the 1987 biennium budget and a 52 percent decrease from the 1987 biennium appropriation considered by the 1985 session. This reduction is made in order to prevent general fund replacement of other lost revenue. The items included for the biennium from the agency's $937,000 equipment request are cited in Table 5 by department and center.

Table 5
Equipment for the 1989 Biennium

Department/Center	Item (item being replaced)	Fiscal 1988	Fiscal 1989
Central Research	Grain Drill-IHC Model #1 *	$ 6,000	$ -0-
Eastern Research	Half Ton Van (1970)	12,060	-0-
	Sharp SF-850 Copier (old dry 3M)	-0-	7,500
Northern Research	Harvester (very old)	13,445	-0-
Northwestern Research	Harvester & Forage Plow	-0-	12,788
	Soils Grinder	-0-	800
Southern Research	Plow Spinner IHC (parts not available)	8,000	-0-
	Swather IHC (1965/parts not available)	-0-	10,599
	Hood Fume Lab (danger to health)	-0-	4,500
	Baler (rented @ $2,000/yr)	-0-	6,500
Veterinary Research	Sputter Coater in Electron Microscope	-0-	6,000
Entomology	IBM-XT PC, Printer, etc.	10,400	-0-
	Insect Cabinets (4)	-0-	4,040
Microbiology	Hen Cages and Brooders (Salmonella R.)	4,700	-0-
	Egg Incubator	-0-	600
Agriculture Economics	Two Microcomputers and Software	9,742	-0-
	Printers for Microcomputers	-0-	1,996
Agriculture Engineering	Lathe (too old for precision)	11,000	-0-
	Weather Station Port	-0-	5,000
Animal and Range	Distilling Unit	6,500	-0-
	Chromatograph Liquid (pay $17/sample)	-0-	45,000
Chemistry	Solvent Delivery System	8,000	-0-
Home Economics	Mettler Analytical Balance	2,990	-0-
	Barley Pearler	2,050	-0-
	Oven/Range	-0-	838
Plant Pathology	Auto for Statewide Plots (1976 Hornet)	8,652	-0-
Plant and Soil Science	NIR Kernal Quality Lab **	-0-	3,000
	Liquid Scintill Lab ***	7,300	-0-
General Agency	Library Books	5,000	5,000
	Shelves and Lab Facilities	714	714
Total		$116,553	$114,875

*Matching designated Foundation Seed funds of $6,000.
**Matching Wheat Committee grant of $15,000.
***Matching restricted grant of $22,700.

Fund Sources. Both the state special revenue and the federal research funds for the Agricultural Experiment Station have declined since the last regular session. Table 6 helps to explain agency revenue.

Table 6
Main Station Fund Sources for 1987 - 1989 Biennium

Fund Source	Fiscal 1986 Actual	Fiscal 1987 Approp.	Fiscal 1988 CL	Fiscal 1989 CL	% Change FY86-87 Approp. FY88-89 CL
State Special	$ 289,991	$ 520,000	$ 520,000	$ 520,000	28.4
Federal Hatch	1,187,879	1,269,390	1,129,299	1,129,299	(8.1)
Federal Regional	578,967	628,567	544,004	544,004	(9.9)
General Fund	5,953,382	5,752,574	5,861,686	5,913,853	0.6
Total	$8,010,219	$8,170,531	$8,054,989	$8,107,156	(0.1)

The biennium comparison shows that state special revenue increases 28.4 percent when current level is $520,000 each year of the 1989 biennium. This level is used in order to prevent additional general fund replacement even though agency reports show projected 1989 biennium state special revenue of $325,000 per year for an anticipated 19.8 percent decrease. If the agency is unable to generate cattle and ag-related sales for this additional $195,000 each year, further cuts will be required. Federal Hatch Act funds are down $140,091 and regional funds decrease $84,563 from the fiscal 1987 appropriated level for total federal funds loss of $224,654 each year of the 1989 biennium.

U.S. RANGE LABORATORY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	36.13	36.13	16.50	16.50	(19.63)
Personal Service	$500,703	$736,276	$336,300	$336,300	(45.6)
Operating Expense	33,302	196,416	5,700	5,700	(95.0)
Equipment	2,450	1,800	3,000	3,000	41.2
Total Expenditures	$536,455	$934,492	$345,000	$345,000	(53.1)
Fund Sources					
State Special	$536,455	$934,492	$345,000	$345,000	(53.1)

The United States Livestock and Range Research Laboratory at Miles City is a cooperative program of the United States Department of Agriculture and the State of Montana designed to improve the production of beef and to increase range forage efficiency. The state portion of the laboratory is funded completely from state special revenue generated through sale of cattle from the program. The federal portion of the research is funded with restricted revenue.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 7
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	36.13	36.13	0.00
Personal Service	$736,519	$500,703	$235,816
Operating Expense	168,720	33,302	135,418
Equipment	1,800	2,450	(650)
Total Exp. and State Spec. Rev.	$907,039	$536,455	$370,584

The range laboratory had $370,584 less revenue than anticipated and, therefore, began cutting back the hours of classified ranch employees for a $235,816 personal service cost reduction. Operating expenses were cut in all areas for a savings of $135,418. The two geldings which are purchased every year cost $650 more than appropriated.

Current Level Adjustments

The budget is included in current level as requested by the agency. Because of a decline in the cattle market and available cattle in the program, state special revenue declines 53.1 percent and total expenses are adjusted accordingly.

Personal service decreases 45.6 percent to $336,300 per year. A 19.63 FTE reduction has been made to reflect the decrease in personal service dollars. Personal service costs are for 16.50 FTE each year of the biennium at an average compensation rate of $20,382.

Operating expenses are cut 95 percent from the 1987 to the 1989 biennium, as shown on the program table. There is $5,700 for gasoline, supplies, telephone, and travel. There is provision for the purchase of two replacement geldings at $1,500 each for an equipment total of $3,000 each year. The range laboratory has about 20 geldings for use in management of the 55,000 acre research area. In order to train them to herd cattle during the prime ages of six to fourteen, the range laboratory places a high priority on this annual purchase which, according to terms of the cooperative federal agreement, must be made by the range laboratory.

BUREAU OF MINES AND GEOLOGY
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	26.43	$2,724,392	$2,830,392
LFA Current Level	26.43	2,413,881	2,519,881
Executive Over (Under) LFA	0.00	$ 310,511	$ 310,511

The executive budget is $310,511 over the LFA current level primarily due to differences in the administrative charge paid to Montana College of Mineral Science and Technology. The differences are summarized in the three issues presented below.

ISSUE 1: ADMINISTRATIVE CHARGE

The executive budget administrative charges paid to Montana Tech are $324,854 higher than the LFA current level. This issue is presented in the LFA current level.

ISSUE 2: OPERATING EXPENSE DIFFERENCE

The executive budget has $8,393 less in professional services, supplies, and communications than the LFA current level for the 1989 biennium.

ISSUE 3: EQUIPMENT

The executive budget includes $5,950 less for equipment during the 1989 biennium than the LFA current level.

BUREAU OF MINES AND GEOLOGY

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	28.84	32.41	26.43	26.43	(5.98)
Personal Service	$ 957,620	$ 910,560	$ 868,378	$ 868,378	(7.0)
Operating Expense	549,685	545,489	369,151	368,024	(32.7)
Equipment	18,868	24,030	22,075	23,875	7.1
Total Expenditures	$1,526,173	$1,480,079	$1,259,604	$1,260,277	(16.2)
Fund Sources					
General Fund	$1,173,871	$1,427,079	$1,206,604	$1,207,277	(7.2)
State Special	52,302	53,000	53,000	53,000	0.7
Resource Indemnity Trust	300,000	-0-	-0-	-0-	---
Total Funds	$1,526,173	$1,480,079	$1,259,604	$1,260,277	(16.2)

The Bureau of Mines and Geology, a public service agency and research entity of the Montana College of Mineral Science and Technology in Butte, is responsible for assisting in development of the state's mineral resources. The agency gathers, field tests, analyzes, catalogs, and disseminates information on ground water, metals, oil, gas, coal, and other non-metallic minerals.

Bureau employees decrease by 5.98 FTE as requested by the agency to reflect the cutbacks caused by 1987 biennium funding reductions. Operating expense declines 32.7 percent from the 1987 to the 1989 biennium, primarily due to a reduction in the administrative charge as described under current level adjustments. Equipment increases 7.2 percent because the agency eliminated appropriated purchases during the 1987 biennium. General fund, which provides most of the agency's unrestricted budget, decreases 7.2 percent. The bureau generates $53,000 of state special revenue, primarily from the sale of maps and publications.

The bureau receives restricted federal and state grants and contracts not included in the table above. Restricted grants of about $700,000 in fiscal 1986 included $100,000 for the bureau's Statewide Ground Water Information Center funded through the Department of Natural Resources and Conservation under House Bill 947, as well as $75,000 for ground-water programs and $91,870 for the Williston Basin Reclamation Project funded under House Bill 922. The balance of the $433,000 in restricted funds includes $237,00 matching funds from the United States Geological Survey, plus grants from other state and federal agencies and private sources.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	32.41	28.84	3.57
Personal Service	$ 916,572	$ 957,620	$(41,048)
Operating Expense	584,637	549,685	34,952
Equipment	25,833	18,868	6,965
Total Expenditures	$1,527,042	$1,526,173	$ 869
Funding			
General Fund	$1,174,042	$1,173,871	$ 171
State Special	53,000	52,302	698
Resource Indemnity Trust	300,000	300,000	-0-
Total Funds	$1,527,042	$1,526,173	$ 869

The bureau's personnel were 3.57 FTE below the level authorized by the 1985 legislature, with reductions of 0.64 FTE professional, 1.67 FTE classified, and 1.26 FTE faculty. In addition to decreasing the number of FTE, the bureau also transferred $41,048 from operating expenses and equipment in order to pay higher salaries. Operating expenses were $34,952 less than budgeted with major reductions of $8,891 in communications, $25,478 in travel, and $6,583 in professional services and major increases in equipment repair of $6,000.

Equipment was $6,965 less than anticipated and purchases included $11,010 for computers and software, $6,890 for geology and hydrology field items, $427 for office furnishings, $330 for books, and $211 for photographic equipment.

Current Level Adjustments

Current level personnel are reduced from the fiscal 1986 appropriated level of 32.41 FTE to 26.43 FTE. Table 2 shows the FTE and average salary by FTE category.

As shown in the following table, the average professional salary requested is 20 percent above that anticipated by the legislature. The other average salaries are lower than anticipated by the legislature. The average salary for the 1989 biennium is as requested by the agency. Vacancy savings of 4 percent is taken in the amount of $36,182 in fiscal 1988 and 1989.

Table 2
Comparison of Appropriated 1986 FTE and Average Salaries to the 1989 Biennium

	FTE			Average Salary			
Category	FY 86	89 Bien.	Diff.	FY 86	89 Bien.	Diff.	% Change
Professional	18.74	17.06	(1.68)	$29,070	$34,850	$ 5,780	20.0
Classified	11.91	8.65	(3.26)	18,174	16,683	(1,491)	(8.2)
Part-time	1.76	0.72	(1.04)	17,060	16,666	(394)	(2.3)
Total	32.41	26.43	(5.98)				

Operating expense decreases 32.7 percent for the biennium, with fiscal 1988 summarized in Table 3.

Table 3
Operating Expense Adjustments in Current Level

Category	Actual FY 1986	(Decrease) Increase	Current Level FY 1988
Professional Services	$105,939	$ 2,561	$108,500
Legal Fees	653	(653)	-0-
Laboratory Supplies	3,188	452	3,640
Research Supplies	3,200	251	3,451
Rent	10,438	662	11,100
Earthquake Batteries	1,500	(750)	750
Relocation/Recruiting	1,444	(1,144)	300
Theft Loss	943	(943)	-0-
Administrative Charge	238,520	(178,061)	60,459
All Other	183,860	(2,909)	180,951
Total Adjustments	$549,685	$(180,534)	$369,151

Professional services increase by $2,561 to pay for the scientific analysis of rock and water samples that is purchased by the geology and hydrology divisions from the Butte Analytical Laboratory at a total cost of $28,500 each year of the biennium. The $80,000 balance of this item is for the cooperative ground-water funding agreement with the United States Geological Survey continued at the fiscal 1986 level and matched with about $237,000 of federal restricted funds.

One-time legal fees are deleted. Laboratory and research supplies increase $703 as a result of inflation. Rent, for the Billings office and for the core storage laboratory in Butte, increases $662 due to a change in the Billings facilities which will

enable staff and equipment to be shared with the geological survey. Because current level equipment includes a photovoltaic system to permanently replace batteries for remote earthquake study stations, the $1,500 annual cost of batteries is reduced by half in fiscal 1988 and by $1,500 in fiscal 1989.

One-time recruiting and relocation expenses of $1,144 for the new bureau director are deleted and this expenditure is reduced to the level of $300 per annum. Likewise, the one-time theft loss of $943 is removed from current level.

The largest adjustment is a $178,061 reduction in the administrative charge paid by the bureau to Montana Tech. Campus officials advise there is no methodology for determining this charge and that it usually increases based on projected inflation. When analyzed with comparable administrative charges based on actual cost factors at the University of Montana and Montana State University, however, it becomes clear that this particular fee has over the years become unique in the university system. Table 4 presents a comparison of the administrative charges for the last four years at the bureau of mines, the forest experiment station, the agricultural experiment station, and the cooperative extension service.

Table 4 shows that the fiscal 1987 administrative charge the bureau is paying to Montana Tech is $242,153, representing 16.36 percent of its total agency expenditures and an increase of $3,633 over the fee paid in fiscal 1986. This increase occurs in a year when the personal service, operating expense, and equipment expenses of the agency have been cut $46,094 and when the administrative charges for the other three university-related agencies have all decreased. The only operating expense increase in the Bureau of Mines' fiscal 1987 budget is this administrative charge.

Table 4
Comparison of Administrative Charges Within the University System

University Unit	Fiscal 1984	Fiscal 1985	Fiscal 1986	Fiscal 1987
Bureau of Mines				
Montana Tech Fee	$222,172	$233,586	$238,520	$242,153
Percent Rate of Budget	14.97	15.57	15.63	16.36
Forest Station				
U of M Fee	$ 17,006	$ 24,657	$ 26,784	$ 26,124
Percent Rate of Budget	2.59	3.81	4.15	4.22
Agriculture Exp. Sta.				
MSU Fee	$450,888	$472,636	$505,212	$485,004
Percent Rate of Budget	5.23	5.33	6.28	5.63
Extension Service				
MSU Fee	$154,542	$159,664	$175,248	$168,238
Percent Rate of Budget	4.13	3.99	4.52	4.14

The percentage rates of the fees paid by the forest station, agricultural experiment station, and cooperative extension service averaged 5 percent of the three

agencies' other expenditures for fiscal 1986. Utilizing the 5 percent rate generated by the specific cost factors of the other two universities for the bureau of mines results in a fiscal 1988 administrative charge of $60,459 and a fiscal 1989 administrative charge of $59,875.

The fiscal 1989 operating expense is $368,024. Supplies increase by $504 and telephone by $48, for total increases of $552. Because of the fiscal 1988 purchase of earthquake studies equipment, travel is cut $345 and the cost of batteries by an additional $750. In addition, the administrative charge is reduced $584, for total reductions of $1,679.

Equipment is $45,950 for the biennium compared with the appropriated level of $46,663 for the 1987 biennium. The agency requested $185,240 in its priority equipment list for the 1989 biennium and the top-ranked items presented in Table 5 are included in current level.

Table 5
Biennium Equipment in Current Level

Department/Division	Equipment Items	FY 88	FY 89
Information and Publications	Compugraphic MS 8400 Editwriter	$12,000	$ -0-
General	Library Books	275	275
	PC Computer with laser graphics	-0-	6,000
Hydrology	Multiparameter water quality probe, winch	-0-	14,000
Geology and Mineral Resources	Zoom Stereoscope (replace 30 yrs old)	1,200	-0-
	Flux-gate magnetometer	800	-0-
	Steel map case	-0-	1,800
Earthquake Studies	Photovoltaic systems/seismograph station	7,800	-0-
Analytical Division	Platinum-Gold Crucibles (2)	-0-	1,800
Total		$22,075	$23,875

Equipment for the Information and Publications Division, as well as for total agency use, is a $12,000 editwriter to produce the bureau's publications, library books continued at the 1986 level of $275, and a computer with laser graphics for the analysis, interpretation, and publication of maps, cross-sections, charts, and diagrams.

Hydrology Department equipment totals $14,000 for the biennium and Geology and Mineral Resources Department equipment totals $3,800.

Earthquake studies equipment includes a $7,800 photovoltaic system of solar panels and rechargeable batteries at remote seismograph stations. Batteries for these stations currently cost $1,500 per year and cannot be recharged or reused, plus there are the costs of time and travel to the sites. Conversion to the new system will pay for itself within five years.

The Analytical Division's laboratory equipment totals $1,800 for two platinum-gold crucibles which are needed because present equipment limits the number of fusions for analysis to five each day, thereby creating losses through instability of the materials and through delays.

The following table presents a comparison of the actual fiscal 1986 expenditures to the projected distribution of fiscal 1988 and 1989 current level funds among agency divisions and the cooperative groundwater research program with the geological survey.

Table 6
Bureau of Mines Expenditures by Division
Fiscal 1986-1989

Budget Item	Actual Fiscal 1986	Projected Fiscal 1988	Projected Fiscal 1989	FY 86-89 % Change
Administration and Benefits	$ 370,667	$ 337,742	$ 336,668	(9.2)
Geology	278,986	260,818	261,718	(6.2)
Earthquake Studies	27,000	27,000	26,631	(1.4)
Hydrology	303,679	283,768	284,668	(6.3)
Information	228,708	209,817	210,717	(7.9)
USGS Cooperative Water Research	78,613	80,000	80,000	1.8
Subtotal w/o Recharge	$1,287,653	$1,199,145	$1,200,402	(6.8)
University Charges	238,520	60,459	59,875	(74.9)
Total	$1,526,173	$1,259,604	$1,260,277	(17.4)

Except for the geological survey water research contract, which is continued at $80,000, table 7 shows that there are reductions in all bureau divisions. The smallest projected cut is 1.4 percent in the earthquake studies section because there is only one professional and limited supplies in that program. The fiscal 1989 reduction in earthquake studies is due to one less working day that year and to cuts in required travel after the replacement batteries are no longer needed at remote stations.

Administration is projected to decrease 9.2 percent for the biennium due to employee reductions.

Because geology and hydrology are sharing faculty, professional, and classified FTE reductions about equally, both divisions are anticipated to be reduced approximately 6 percent. The information division is reduced 7.9 percent because the fiscal 1987 agency plan made more personnel cuts in publications than in geology or hydrology. The overall agency reduction from fiscal 1986 to fiscal 1989 is 17.4 percent. Without the 74.9 percent reduction in university administrative charges, the fiscal 1989 budget decreases 6.8 percent from fiscal 1986.

MONTANA COOPERATIVE EXTENSION SERVICE
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	116.19	$3,784,946	$7,443,482
LFA Current Level	121.02	4,077,346	7,735,882
Executive Over (Under) LFA	(4.83)	$ (292,400)	$ (292,400)

The executive budget is under LFA current level by 4.83 FTE and by $292,400 in both general fund and total funds. The major issues are summarized below.

ISSUE 1: NUMBER OF FTE

The executive budget has 4.83 fewer FTE than LFA current level and personal service costs, excluding vacancy savings, are $202,780 less for the biennium. This would equal average personal service costs of $20,992 per annum for 4.83 FTE.

ISSUE 2: VACANCY SAVINGS

The executive budget has $61,660 more in vacancy savings for the biennium than LFA current level.

ISSUE 3: OPERATING EXPENSE

The executive budget has $32,302 less operating expense for the biennium than LFA current level. The major differences include $15,285 in publications and $10,876 for in-state travel each year.

ISSUE 4: EQUIPMENT

The executive budget has $4,342 more for equipment during the biennium than LFA current level.

MONTANA COOPERATIVE EXTENSION SERVICE

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	135.30	135.30	121.02	121.02	(14.28)
Personal Service	$3,484,983	$3,532,038	$3,355,392	$3,355,392	(4.4)
Operating Expense	545,757	689,170	498,984	500,456	(19.1)
Equipment	20,217	14,881	12,829	12,829	(26.9)
Total Expenditures	$4,050,957	$4,236,089	$3,867,205	$3,868,677	(6.7)
Fund Sources					
General Fund	$2,237,166	$2,138,583	$2,037,937	$2,039,409	(6.8)
State Special	-0-	63,984	-0-	-0-	---
Federal Revenue	1,813,791	2,033,522	1,829,268	1,829,268	(4.9)
Total Funds	$4,050,957	$4,236,089	$3,867,205	$3,868,677	(6.7)

ISSUES:	- - - - - - Fiscal 1988 - - - - - - General Fund	Other Funds	- - - - - - Fiscal 1989 - - - - General Fund	Other Funds
1. Administration Consolidation	$(306,375)	$ -0-	$(306,375)	$ -0-

The Montana Cooperative Extension Service is the state agency responsible for diffusing useful and practical information on subjects relating to agriculture and home economics, including the 4-H program. Located at Bozeman and four area offices, plus the local county agent offices, the extension service is part of the national land-grant university system.

Authorized FTE are reduced 14.28, including the agency's personnel reduction of 13.38 for the 1987 biennium and the 0.90 FTE vice president who has resigned. These FTE reductions and 4 percent vacancy savings cause a 4.4 percent decrease in personal service. Operating expense decreases 19.1 percent primarily as a result of adjustments for fewer staff. Total expenditures decline 6.7 percent for the biennium. Fund sources for the 1989 biennium are general fund, which decreases 6.8 percent, and federal Smith-Lever funds allocated by the U.S. Department of Agriculture, which decline 4.9 percent.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	135.30	135.30	0.00
Personal Service	$3,593,076	$3,484,983	$108,093
Operating Expense	663,133	545,757	117,376
Equipment	24,222	20,217	4,005
Total Expenditures	$4,280,431	$4,050,957	$229,474
Funding			
General Fund	$2,242,837	$2,237,166	$ 5,671
State Special	61,372	-0-	61,372
Federal Revenue	1,976,222	1,813,791	162,431
Total Funds	$4,280,431	$4,050,957	$229,474

Due to funding cutbacks, the agency made reductions in all expenditure categories. The $108,093 difference in personal services is comprised of reductions in faculty, classified, and part-time employees, plus related benefits. Operating expenses were $117,376 less than appropriated, with major differences of $69,759 in publications and $33,223 for in-state travel, as well as minor reductions in supplies, communications, utilities, and miscellaneous items. Equipment and capital expenses were $20,217, including $829 for library books, $111 for office furniture, and $19,277 for computers, typewriters, and audio-visual equipment, leaving a balance of $4,005.

The extension service did not utilize $5,671 of its fiscal 1986 general fund appropriation. Smith-Lever funds decreased to $1,813,791, for a total difference of $162,431. Although the legislature authorized $61,372 of state special funds from AGNET information system user fees and other revenue, the agency decided this much revenue could not be collected so the program was discontinued and the $1,609 of revenue collected was put in a designated account.

Current Level Adjustments

As shown on Table 2, the FTE are reduced 14.28. This reduction reflects the agency's fiscal 1987 personnel employee reduction of 13.38 FTE to 121.92 FTE due to federal and state revenue cutbacks, and the reduction of a 0.90 FTE vice president professional who resigned. Vacancy savings of 4 percent is $133,738 per year, excluding work study and university recharges. University recharges for personnel are $145,671 each year as budgeted by the agency for fiscal 1987.

Table 2
FTE and Personal Costs for Each Year of the 1989 Biennium

Category	FTE FY 1986	FTE FY 1988	FTE Difference	Average Salary	Total Salary
Faculty	90.27	81.89	(8.38)	$24,894	$2,038,591
Professional	11.90	11.00	(0.90)	40,176	441,936
Classified	30.64	26.45	(4.19)	15,790	417,646
Part time	2.49	1.68	(0.81)	16,657	27,984
Total	135.30	121.02	(14.28)		$2,926,157
Benefits					525,713
Health					37,260
Vacancy Savings					(133,738)
Total Personal Costs					$3,355,392

Operating expense for fiscal 1988 includes increases of $2,075 and decreases of $48,848, for a net reduction of $46,773 as summarized in Table 3 below.

Table 3
Current Level Adjustments to Operating Expenses
Fiscal 1988 and 1989

Budget Item	Actual	(Decrease) Increase	Current Level Fiscal 1988	Current Level Fiscal 1989
Insurance	$ 4,047	$ 618	$ 4,665	$ 4,665
General Professional	56,504	(2,000)	54,504	54,504
Postage	13,976	(976)	13,000	13,000
Telephone	62,770	(6,160)	56,610	56,610
Advertising	2,119	(1,000)	1,119	1,119
In-State Travel	170,920	(28,628)	142,292	142,292
Out-of-State Travel	18,931	(3,000)	15,931	15,931
Moving New Hires	10,352	(5,002)	5,350	5,350
Leased Equipment	6,034	(1,034)	5,000	5,000
Rent	13,548	(443)	13,105	13,689
Utilities	13,915	1,457	15,372	16,844
All Other	172,641	(605)	172,036	171,452
Total	$545,757	$(46,773)	$498,984	$500,456

Insurance increases by $618 due to inflation. General professional services for miscellaneous art photos, clipping services, etc. are reduced by $2,000 to $54,504 to the appropriated level. Because the agency decided to spend more money on postage getting information out to the public, costs for this item increased by 1,079 percent

from $1,185 in fiscal 1985 to $13,976 in fiscal 1986. Current level reduces postage by $976 to $13,000 each year of the biennium with the expectation that there will be economies now that this new program delivery plan has been developed. Telephone is decreased by $6,160 for the 14 FTE reduction at an average cost of $440 each. Advertising for open positions and meetings is reduced by $1,000 to $1,119 because of fewer openings and because meeting announcements may also be printed as news articles.

In-state travel is reduced $28,628 to $142,292. Fiscal 1986 travel was $170,920 for 102.17 FTE professionals. Current level includes 92.89 FTE professionals budgeted at approximately $1,413 travel per person, or $131,292, plus $11,000 to conduct two statewide training meetings for county agents. Other travel for county agents is budgeted by local counties and, therefore, is not included in the extension service operating costs. The $1,413 travel for each professional compares with $659 per person at the agricultural experiment station and $504 at the forestry experiment station. Out-of-state travel is reduced $3,000 to $15,931 because of a duplicative 4-H meeting, a land-grant college meeting attended jointly with the agricultural experiment station, and the staff reductions.

Moving costs for new employees are reduced by $5,002, leaving $3,800 for new hires, $550 for three meetings of the advisory committee, and $1,000 for the national extension committee. Leased equipment is reduced by $1,034 to $5,000 and the equipment budget below includes funds to purchase a copier which has been leased in prior years. Rent for area offices, plus training and exposition facilities, is adjusted to $13,015 in fiscal 1988 and increased to $13,689 in fiscal 1989 based on the agency's request. Utilities increase by $1,457 in fiscal 1988 and $1,472 in fiscal 1989 due to inflation. Additional miscellaneous reductions total $605 including passenger vehicles reduced by $166 consistent with the prior two fiscal years, subscriptions reduced by $269 with the intent of using the university library for other needed information, and film rentals reduced by $170.

Equipment is $12,829 each year of the biennium as summarized in Table 4. The fiscal 1986 costs of $829 for library books are included each year. Equipment includes four Kaypro personal computers, two printers, a Minolta copier, cassette recorder, software for training and specialists, and audio-visual equipment.

Table 4
1988-89 Current Level Equipment

Item	Fiscal 1988	Fiscal 1989
Library Books	$ 829	$ 829
Kaypro PC-20/Mail Room	1,750	-0-
Star Printer/Mail Room	450	-0-
Kaypro PC-20 Pkg/Human Resources	2,450	-0-
Minolta Copier/General Use	4,447	-0-
Kaypro PC-20 Pkg/Beef & Farm	2,600	-0-
Cassette Recorder/General Use	303	-0-
Kaypro PC-20 (2)/General Use	-0-	5,200
Software/Training & Spec.	-0-	4,400
Quietwriter Printer	-0-	1,200
Audio-Visual Equipment	-0-	1,200
Total Equipment Costs	$12,829	$12,829

ISSUE 1: ADMINISTRATION CONSOLIDATION

Because the Montana Cooperative Extension Service and the Montana Agricultural Experiment Station are planning to consolidate administration prior to fiscal 1988, this issue is presented to update the general fund savings analysis that was discussed during Special Session III. During the special session, six reasons for considering administration consolidation were presented: (1) state legislation which makes the agricultural experiment station responsible for providing information to farmers and ranchers; (2) effective and efficient combined administration and programs in other states; (3) United States Department of Agriculture evaluation reports which indicated that the present distance between research and extension is hindering programs; (4) work priorities of the extension service allocating 28 percent of total fiscal 1986 staff time to 4-H; (5) confusion among agricultural producers about whether to go to the cooperative extension service or to the agricultural experiment station for information and assistance; and (5) cost savings.

The 1989 biennium cost savings of consolidating administration could be $612,750. The current administrative staff of both the cooperative extension service and the agricultural experiment station are presented in Table 5.

Table 5
Comparison of Current Level Cooperative Extension Service and Agricultural Experiment Station Administration Staff

- - - Extension Service Administration - - -			- - - Ag Experiment Station Administration - - -			Fiscal
		Average			Average	1988
		FY 1988			FY 1988	Total
Title	FTE	Costs	Title	FTE	Costs	Cost
Acting Director	1.00	$ 57,286	Director	0.65	$ 47,387	$ 104,673
Associate Director	0.00	-0-	Associate Director	1.00	61,579	61,579
Admin./Fiscal Officer	1.00	38,870	Fiscal Officer	1.00	41,124	79,994
Ag & Nat. Res. Program Coord.	1.00	50,045	Program Officer	1.00	34,330	84,375
Human Res. Program Coord.	1.00	50,045	---			50,045
4-H Program Coordinator	1.00	50,045	---			50,045
Area Supervisor	1.00	45,295	---			45,295
Area Supervisor	1.00	45,295	---			45,295
Area Supervisor	1.00	45,295	---			45,295
Area Supervisor	1.00	45,295	---			45,295
Editor (Shared with AES)	0.50	20,145	Editor (Shared with CES)	0.50	19,889	40,034
Comm. Spec. (Shared with AES)	0.50	17,259	Asst. Editor (Shared with CES)	0.50	16,938	34,197
Information Specialist	1.00	29,279	News Specialist	0.50	13,297	42,576
Professional Subtotal	11.00	$494,154	Professional Subtotal	5.15	$234,544	$ 728,698
Average Professional FTE Cost		$ 44,923	Average Professional FTE Cost		$ 45,542	
Programmer/Analyst	1.00	$ 31,972	Word Processing Operator III	0.50	$ 10,415	$ 42,387
Administrative Secretary	1.00	22,782	Administrative Secretary II	0.75	20,304	43,086
Secretary	1.00	20,785	Receptionist II	1.00	17,376	38,161
Secretary	1.00	18,638	---			18,638
Secretary	1.00	18,521	---			18,521
Secretary	1.00	17,770	---			17,770
Personnel Technician	1.00	24,230	---			24,230
Accounting Technician	1.00	21,782	Accounting Technician II	1.00	23,671	45,453
Stock Clerk Supervisor	1.00	20,848	Accounting Technician I	0.25	4,758	25,606
Stock Clerk (Shared with AES)	0.50	7,733	Stock Clerk I (Shared with CES)	0.50	8,488	16,221
Classified Subtotal	9.50	$205,061	Classified Subtotal	4.00	$ 85,012	$ 290,073
Average Classified FTE Cost		$ 21,585	Average Classified FTE Cost		$ 21,253	
Total FTE and Cost	20.50	$699,215	Total FTE and Cost	9.15	$319,556	$1,018,771

Table 5 shows there are 11.0 professional administrative FTE at the extension service and 5.15 professional administrative FTE at the agricultural experiment station, for a total of 16.15 professionals. The average professional FTE cost in fiscal 1988 at the cooperative extension service is $44,932 and the average cost at the agricultural experiment station is $45,542. These cooperative extension service professionals include the acting director, administrative services officer, three program coordinators, four area supervisors, and editor-communications specialists. The agricultural experiment station professionals include the director, associate

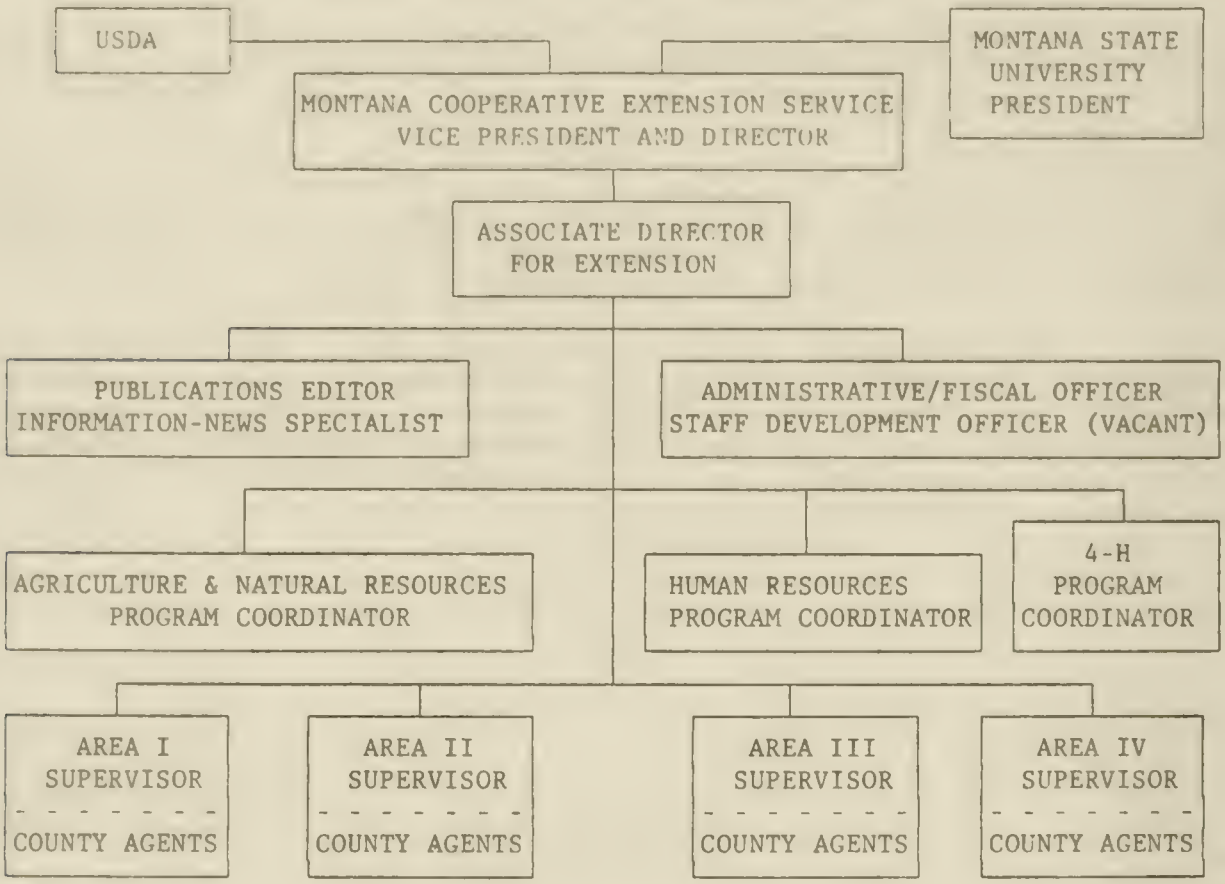
director, fiscal systems officer, program officer, and editor-communications specialists. The agencies are sharing two professional FTE in the publications and news section, and sharing one classified FTE.

The extension service utilizes 20.50 of its FTE at a fiscal 1988 cost of $699,215 to administer a $3,867,205 agency budget, plus about $1.5 million in restricted funds. Personnel costs for administration are 20.8 percent of the $3,355,392 personal service fiscal 1988 budget at the extension service. The agricultural experiment station utilizes 9.15 of its FTE at a fiscal 1988 cost of $319,556 to administer an $8,399,989 agency budget, plus about $2.6 million in restricted funds. Personnel costs for administration are 4.7 percent of the $6,835,061 personal service fiscal 1988 budget at the agricultural experiment station. Total personal services costs in fiscal 1988 for administration of the two separate agencies would be $1,018,771.

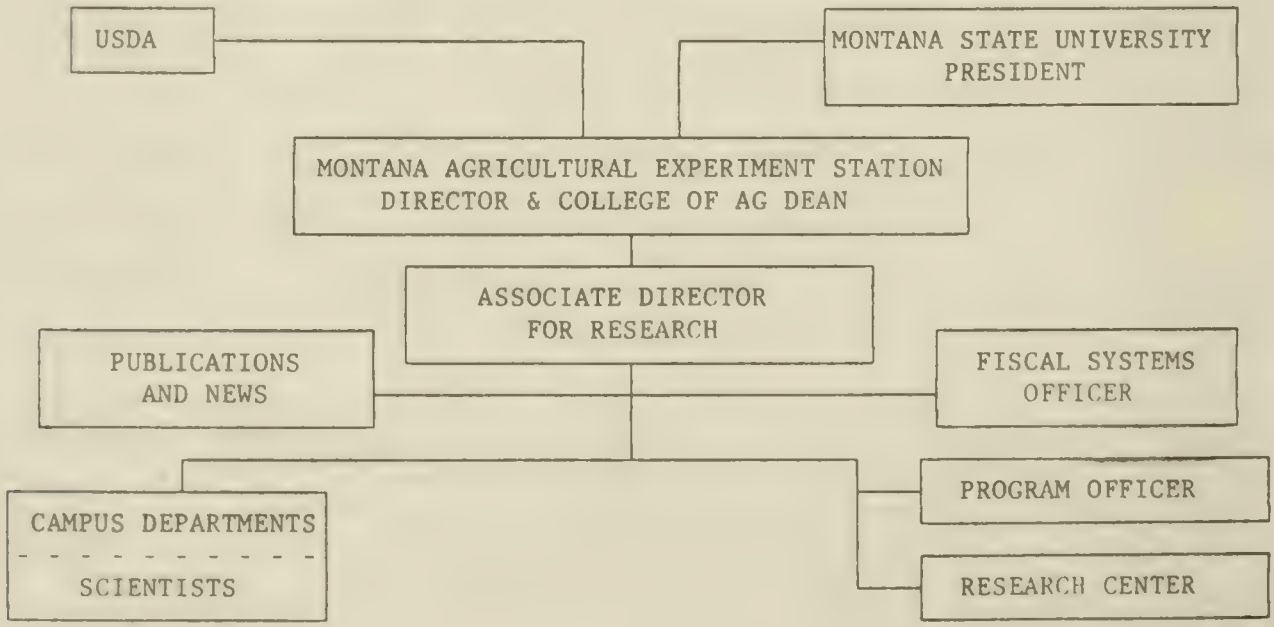
Current level organization charts for the two agencies, presented on Table 6, show similarities in administrative functions and relationships: (1) both agencies are located at MSU and report to the university president; (2) both agencies report to and receive federal funds from the USDA, albeit different federal divisions, but nonetheless similar operationally; and (3) both agencies have associate directors, fiscal officers, and publications-news specialists.

Table 6
ORGANIZATIONAL CHARTS

EXTENSION SERVICE CURRENT ORGANIZATIONAL STRUCTURE



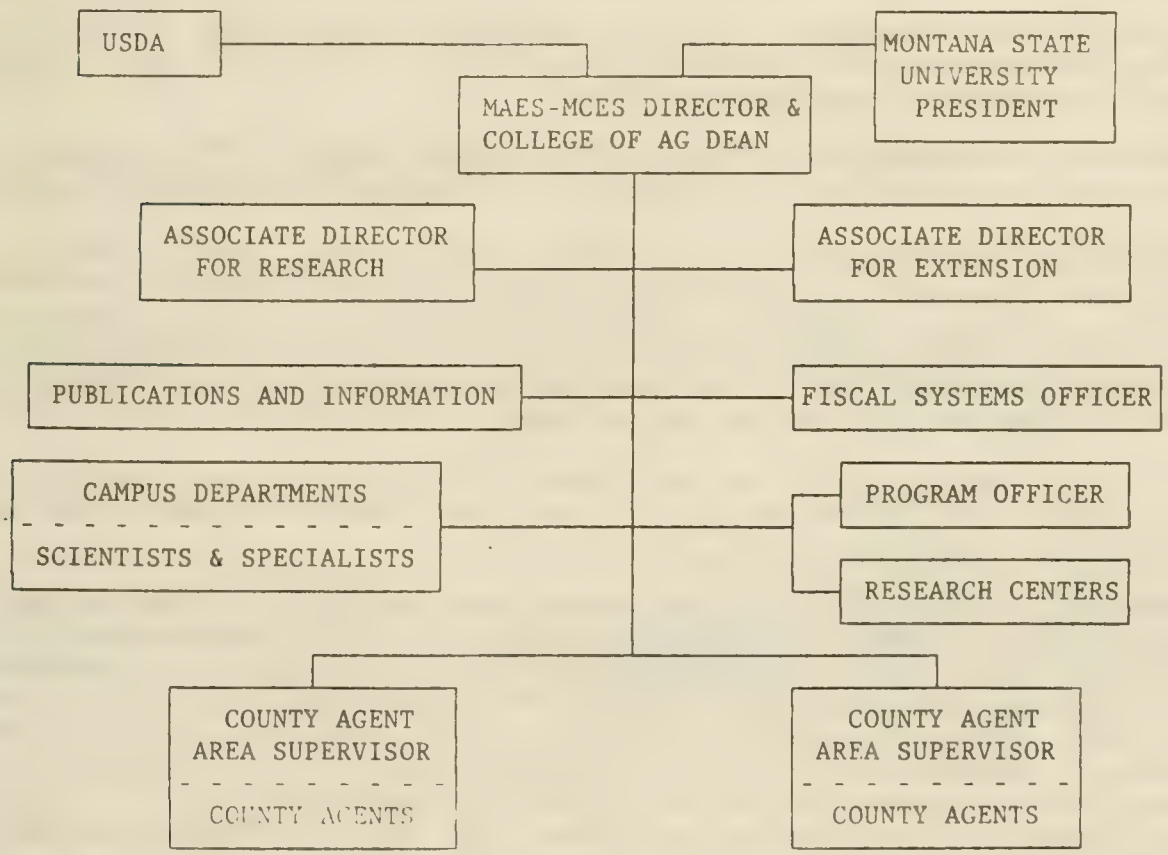
------ AGRICULTURAL EXPERIMENT STATION CURRENT ORGANIZATIONAL STRUCTURE -------



It is also noteworthy that both agencies have computerized financial accounting and reporting systems and that many of the extension specialists and research scientists work side-by-side in the same agricultural experiment station-College of Agriculture departments. The primary point, however, is that there are unnecessary duplications in these two structures. Not only are the duplications costly, but experiences of other states, on-site review reports, and the 1985 survey of producers indicate that maintaining two separate structures hinders program effectiveness and confuses farmers and ranchers about where to obtain assistance.

A potential consolidated structure which streamlines administration and eliminates duplicate positions is presented in Table 7

Table 7
Possible Consolidated Structure



The consolidated administration presented in Table 7 includes the following:

1. Appoint the Montana Agricultural Experiment Station director and College of Agriculture dean the joint Montana Cooperative Extension director, and eliminate the extension director position.

2. Transfer one professional extension service FTE to become the new associate director for extension.

3. Make the agricultural experiment station fiscal officer the consolidated agency fiscal officer, deleting the current extension administrative/fiscal position, and adding 1 FTE fiscal specialist at the agricultural experiment station's average professional fiscal 1988 cost of $34,330 to assist with the combined workload.

4. Continue the two publications and information shared FTE and add 1 FTE at approximately $34,330 to this administrative function so that the publications and information office will be able to distribute regularly the most up-to-date materials to farmers, ranchers, and county extension agents.

5. Make extension specialists regular members of the discipline campus departments accountable to the department heads, thereby eliminating three extension program coordinator positions and enabling the dean and director to begin making split extension-research-teaching appointments as appropriate.

6. Transfer to the consolidated structure two county agent area supervisors at salaries commensurate with current level agricultural experiment station salaries and eliminate two area supervisor positions.

7. Transfer 4.75 classified FTE from the extension service to the consolidated structure at an average cost of $21,585 each and delete 4.75 classified positions.

Streamlining administration and eliminating duplications would result in a consolidated structure with 11.48 professional FTE and 8.75 classified FTE at current level salaries. This is a reduction of 4.67 professional FTE and 4.75 classified FTE for total personal service fiscal 1988 savings of $231,375. The new administrative personal service fiscal 1988 cost of the consolidated Montana Agricultural Experiment Station-Montana Cooperative Extension Service would be $787,395.

In addition, analysis indicates that about $75,000 of related administrative operating expense would also be saved. The total fiscal savings, therefore, could be $306,375 each year of the biennium.

In conclusion, there are six reasons to consider consolidating the cooperative extension administration with the agricultural experiment station administration: (1) state legislation which makes the agricultural experiment station responsible for diffusing information, (2) effective and efficient combined administration and programs in other states; (3) USDA departmental review reports indicating that the present distance between research and extension is hindering programs; (4) work priorities of the extension service allocating 28 percent of total fiscal 1986 staff time to 4-H and 45 percent to agriculture and natural resources; (5) confusion among agricultural producers about whether to go to the cooperative extension service or to the agricultural experiment station for information and assistance; and (6) biennium cost savings of about $612,750.

Option A: Consolidate the Montana Cooperative Extension Service and the Montana Agricultural Experiment Station administration under the College of Agriculture dean for a biennium general fund savings of $612,750.

Option B: Take no action.

MONTANA FOREST AND CONSERVATION EXPERIMENT STATION
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	FTE	Biennium	
	FY '89	General Fund	Total Funds
Executive Budget	18.21	$1,313,593	$1,313,593
LFA Current Level	16.09	1,272,917	1,272,917
Executive Over (Under) LFA	2.12	$ 40,676	$ 40,676

The executive budget is over LFA current level by 2.12 FTE and by $40,676 in the 1989 biennium general fund and total funding. There are differences in four issues described below.

ISSUE 1: FTE

The executive budget has 2.12 more FTE than LFA current level and $78,740 more in biennium personal services costs.

ISSUE 2: VACANCY SAVINGS

The executive budget takes $21,295 of vacancy savings each year for a biennium total of $42,590. LFA current level does not include vacancy savings because there are fewer than 20 FTE.

ISSUE 3: LUBRECHT FOREST

The executive budget exceeds LFA current level in operating expense by $5,060 for the biennium. The major difference is that the executive includes some of Lubrecht Experimental Forest's costs for electricity, telephone, and fire protection assessment, which were paid out of the agency's general fund budget for the first time in fiscal 1986. Previously these expenses were paid from the restricted revenue fund.

ISSUE 4: EQUIPMENT

The executive budget has $534 less for equipment during the biennium than LFA current level.

MONTANA FOREST AND CONSERVATION EXPERIMENT STATION

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
F.T.E.	18.14	19.21	16.09	16.09	(3.12)
Personal Service	$515,809	$509,385	$493,009	$493,009	(3.8)
Operating Expense	133,473	127,424	129,240	130,659	(0.4)
Equipment	19,062	8,500	13,500	13,500	(2.0)
Total Operating Costs	$668,344	$645,309	$635,749	$637,168	(3.1)
Non-Operating Costs	3,468	-0-	-0-	-0-	---
Total Expenditures	$671,812	$645,309	$635,749	$637,168	(3.4)
Fund Sources					
General Fund	$119,504	$645,309	$635,749	$637,168	66.4
State Special Revenue	552,308	-0-	-0-	-0-	---
Total Funds	$671,812	$645,309	$635,749	$637,168	(3.4)

The Montana Forest and Conservation Experiment Station is responsible for generating research and publications concerning productivity and use of forests, associated rangelands, water, wildlife, and recreation resources. The forestry station operates the Lubrecht Experimental Forest and is the research branch of the University of Montana School of Forestry. Research is conducted at the 28,000 acre Lubrecht Experimental Forest and at other sites in cooperation with state, federal, and private entities.

Agency employees decrease by 3.12 FTE due to pay plan reductions and the five percent general fund cut. Personal service decreases 3.8 percent for the FTE reductions. Operating expense decreases 0.4 percent due primarily to removal of one-time experiment station and Lubrecht forest expenditures. Equipment decreases 2.0 percent.

General fund increases 66.4 percent due to a one-time appropriation of special resource indemnity trust fund interest in fiscal 1986. Total expenditures and funds decrease by 3.4 percent for the biennium.

The agency also has approximately $670,000 per annum in restricted grants and contracts not included in the table above. Fiscal 1986 restricted funds included $241,522 from the United States Department of Agriculture McIntire-Stennis forestry research formula funds, plus grants from the Bureau of Indian Affairs, National Aeronautics and Space Administration, United States Forest Service, National Park Service, Montana Committee for the Humanities, Department of State Lands, Department of Natural Resources and Conservation, and Department of Fish, Wildlife, and Parks.

There were a total of 83 forestry research projects being conducted during fiscal 1986, with 33 studies on second-growth forests in Montana under the Mission-Oriented

Research Program first approved by the 1981 legislature. There were ten research projects funded by restricted grants from the state agencies listed above and 40 studies funded by federal agencies and private sources.

Fiscal 1986: Comparison of Actual Expenses to the Appropriation

The following table compares fiscal 1986 actual expenditures and funding to appropriations as anticipated by the 1985 legislature.

Table 1
Comparison of the Appropriation to Actual Expenses - Fiscal 1986

Budget Item	Legislature	Actual	Difference
F.T.E.	19.21	18.14	1.07
Personal Service	$ 521,258	$ 515,809	$ 5,449
Operating Expense	135,559	133,473	2,086
Equipment	17,127	19,062	(1,935)
Total Operating Costs	$ 673,944	$ 668,344	$ 5,600
Non-Operating Costs	-0-	3,468	(3,468)
Total Expenditures	$ 673,944	$ 671,812	$ 2,132
Funding			
General Fund	$121,636	$119,504	$ 2,132
State Special	552,308	552,308	-0-
Total Funds	$673,944	$671,812	$ 2,132

The difference of $5,449 in personal services results from vacancy savings. The difference of $2,086 in operating expenses represents reductions primarily in office supplies and in-state travel. Non-operating costs of $3,468 were incurred for a one-time land exchange to consolidate Lubrecht forest boundaries. As the comparison schedule indicates, the forest station did not utilize $2,132 of its general fund appropriation.

Table 2 compares the personal services as appropriated by the legislature and as subsequently budgeted by the agency. The agency budgeted the appropriated dollars for 1.07 fewer FTE and different average salaries than were used in the 1985 legislature appropriation process. Had the agency made the part-time salary of 1 FTE equal to $8,906 as done in the legislature, the part-time FTE would have been 1.26 FTE. Overall, the agency changed the type of employee and the average salary per type of employee, but utilized all dollars appropriated.

Table 2
Comparison of Appropriated to Agency Budgeted Personal Service Costs
Fiscal 1986

	FTE			Average Salary		
Category	Legislature	Agency	Difference	Legislature	Agency	Difference
Professional	9.90	9.51	(0.39)	$28,686	$29,072	$ 386
Classified	6.12	6.12	0.00	19,134	19,785	651
Graduate Research Assts.	2.04	1.96	(0.08)	17,563	17,368	(195)
Part-Time	1.15	0.55	(0.60)	8,906	17,015	8,109
Total	19.21	18.14	(1.07)			

Personal Service Costs			
Category	Legislature	Agency	Difference
Professional	$283,991	$276,470	$(7,521)
Classified	117,100	121,084	3,984
Graduate Research Assts.	35,829	34,216	(1,613)
Part-Time	10,242	9,358	(884)
Total Salary	$447,162	$441,128	$(6,034)
Benefits	$ 58,063	$ 59,139	$ 1,076
Health Insurance	18,577	20,993	2,416
Vacancy Savings	(2,544)	(2)	2,542
Total Per. Service Cost	$521,258	$521,258	$ -0-

Current Level Adjustments

The agency appears to have reduced FTE in fiscal 1986 but did not reduce the dollars spent on FTE. Therefore, to reflect the Special Session III reductions, the agency's readjusted FTE of 18.14 was used as the fiscal 1986 base and reduced 2.05 FTE to reflect current level. Table 3 shows the agency's budgeted average salary for fiscal 1987 and the type of FTE continued into the 1989 biennium. Total personal service costs are $493,009 per year. There is no vacancy savings because the agency has less than 20.0 FTE.

Table 3
FTE and Average Salary for the 1989 Biennium

Category	FTE	Average Salary	Cost
Professional	9.00	$29,919	$269,271
Classified	5.90	20,359	120,118
Graduate Research Assistant	.64	17,828	11,410
Part-time	.55	17,015	9,358
Total	16.09		$410,157
Benefits			82,852
Total Compensation			$493,009

Operating expense decreases 0.4 percent to $129,240 in fiscal 1988 and $130,659 in fiscal 1989, as summarized in Table 4.

Table 4
Current Level Adjustments to Operating Expenses
Fiscal 1988 and 1989

Expenditures	FY 1986	FY 1988 Increase (Decrease)	- - Current Level - - FY 1988	FY 1989
Insurance	$ 1,066	$ 188	$ 1,254	$ 1,254
Gasoline	4,388	(307)	4,081	4,391
Food/Lubrecht	1,074	(1,074)	-0-	-0-
Research Supplies	2,586	366	2,952	3,229
Software Program	704	(704)	-0-	-0-
Electricity	4,391	867	5,258	6,078
Training Fee	863	(348)	515	515
Fire Protection/Lubrecht	3,493	(3,493)	-0-	-0-
Accruals and All Other	114,908	272	115,180	115,192
Total	$133,473	$(4,233)	$129,240	$130,659

Insurance increases 18 percent to $1,254 per annum. Gasoline decreases $307 in fiscal 1988 due to declining prices and increases to $4,391 as a result of fiscal 1989 inflation calculations.

The Lubrecht Experimental Forest is the 28,000 acre field research laboratory of the agency. The forest budget is an auxiliary account of the University of Montana with revenue generated from timber sales, board, and conference fees. Because the forest has experienced declining timber sales revenue the agency charged $1,074 of food costs and $3,493 of fire protection fees from Missoula County to the general fund in fiscal 1986. Both of these items are deleted in current level for savings of $4,567.

Research supplies increase $366 in fiscal 1988 and $277 in fiscal 1989 due to inflation. A one-time software program is deleted for savings of $704 and a one-time training fee of $348 is eliminated.

Electricity increases $867 in fiscal 1988 and another $820 in fiscal 1989. There are miscellaneous adjustments of $272.

Equipment totals $27,000 for the biennium. The agency requested $58,400 for its equipment priorities.

UNIVERSITY SYSTEM
COMPARISON OF EXECUTIVE BUDGET AND LFA CURRENT LEVEL

	1989 Biennium	
	General Fund	Total Funds
Executive Budget	$137,486,539	$215,770,805
LFA Current Level	135,018,120	217,351,835
Executive Over (Under) LFA	$ 2,468,419	$ (1,581,030)

The executive budget is $1.6 million less than the LFA current level. Had the LFA used the executive enrollment figures, the LFA current level would have exceeded the executive budget by $2.5 million. The executive budget is lower than LFA current level even though the executive proposal uses higher enrollment estimates and funds instruction at 95 percent and support at 94 percent, while LFA current level uses 91.7 percent formula support. The differences between the executive budget and LFA current level are due to four primary factors:

FACTOR 1: 1986 PAY LEVELS

The executive budget did not recognize the fiscal 1987 salary levels. This factor would reduce the formula funding by approximately 3 percent.

FACTOR 2: SELECTIVE INFLATION

The operating costs were selectively inflated in the executive budget. This process does not fully recognize the cost factors given to other state agencies and indirectly lowers the formula funding percentage.

FACTOR 3: VACANCY SAVINGS

A 4 percent vacancy savings factor was used on personal services except in the instruction program. This factor, combined with the fiscal 1986 pay level, again indirectly reduces the formula funding percentage.

FACTOR 4: ACTUAL FORMULA FUNDING PERCENTAGE FOR SUPPORT

The executive budget narrative states the formula funding percentage for support is 94 percent. All calculations are at 90 percent.

ENROLLMENT ESTIMATE

Table A compares the executive budget and LFA current level enrollment estimates. The executive budget has 301 more students in fiscal 1988 and 174 more students in fiscal 1989.

Table A
Comparison of Executive Budget and LFA Enrollment Estimates

Unit	Fiscal 1988 Executive	Fiscal 1988 LFA	Fiscal 1988 Difference	Fiscal 1989 Executive	Fiscal 1989 LFA	Fiscal 1989 Difference
MSU	9,573	9,550	23	9,573	9,565	8
UM	7,983	7,961	22	7,983	7,979	4
EMC	3,276	3,239	37	3,276	3,271	5
NMC	1,736	1,571	165	1,736	1,587	149
WMC	947	865	82	947	873	74
MCMST	1,527	1,555	(28)	1,527	1,593	(66)
Total	25,042	24,741	301	25,042	24,868	174

DIFFERENCES IN REVENUE SOURCES

Table B compares the difference in revenue sources between the executive budget and the LFA current level.

Table B
Executive Budget - Current Level Revenue Comparison
University System
1989 Biennium

Revenue Source	Executive Budget	LFA Current Level	Executive Over (Under) LFA
Tuition and Fees	$ 50,977,052	$ 54,181,646	$(3,204,594)
Millage	26,049,000	23,128,069	2,920,931
Indirect Cost	-0-	3,861,000	(3,861,000)
Admin. Charge-MCMST	450,000	123,000	327,000
Federal/Other	808,214	1,040,000	(231,786)
General Funds	137,486,539	135,018,120	2,468,419
Total	$215,770,805	$217,351,835	$(1,581,030)

TUITION AND FEES

The executive budget reflects $3,204,594 less in tuition revenue than current level primarily because the executive budget utilizes fiscal 1987 tuition without the surcharge. LFA current level uses the 1987 rate with the $72 annual surcharge per full-time student.

MILLAGE

The revenue estimate for the six-mill levy is $2.9 million higher in the executive budget than in current level.

INDIRECT COST RECOVERIES

The executive proposal recommends not utilizing indirect cost recoveries for the current unrestricted budget while LFA current level maintains the current policy of using 85 percent of anticipated indirect cost reimbursements as current unrestricted revenue.

ADMINISTRATIVE CHARGE -- MCMST

In an effort to align university system independent agency cost recharges, current level analysis for the Bureau of Mines reduces their budgeted recharge costs by approximately $360,000. Current level analysis for the University System does not reflect the $360,000 in revenue sources.

FEDERAL AND OTHER MISCELLANEOUS SOURCES

The executive proposal includes $231,786 more in miscellaneous sources than the current level. Prior to fiscal 1986 an indirect administrative cost recovery from the Bureau of Mines to Montana Tech was reflected in this revenue source.

UNIVERSITY SYSTEM

Budget Item	Actual Fiscal 1986	Appropriated Fiscal 1987	- - Current Level - - Fiscal 1988	Fiscal 1989	% Change 1987-89 Biennium
MSU	$ 45,110,620	$ 44,635,258	$ 42,194,760	$ 42,372,163	(5.8)
UM	35,748,881	36,012,295	34,643,377	34,796,382	(3.2)
EMC	13,779,825	13,977,746	12,959,837	13,078,278	(6.2)
NMC	7,534,412	7,701,114	6,878,742	6,926,982	(9.4)
WMC	3,936,907	4,025,578	4,037,086	4,044,104	1.5
MCMST	8,736,399	8,795,726	7,643,321	7,776,803	(12.0)
System Total	$114,847,044	$115,147,717	$108,357,123	$108,994,712	(5.5)
Funding					
General Fund	$ 73,168,435	$ 66,836,403	$ 67,354,191	$ 67,663,929	(3.6)
Tuition and Fees	24,308,293	27,995,868	27,022,752	27,158,894	3.6
Millage	14,384,000	18,049,000	11,468,180	11,659,889	(28.7)
Indirect Costs	1,804,122	1,604,000	1,992,000	1,992,000	16.9
Other	522,124	662,446	520,000	520,000	(12.2)
Spend Down Fund Balance	660,070	-0-	-0-	-0-	(100.0)
Total Funding	$114,847,044	$115,147,717	$108,357,123	$108,994,712	(5.5)

ISSUES:	Fiscal 1988 General Fund	Fiscal 1988 Other Funds	Fiscal 1989 General Fund	Fiscal 1989 Other Funds
1. Enrollment Estimates				
Option A: Board of Regents	$ 3,099,406	$1,266,021	$ 1,984,824	$ 826,426
Option B: Current Level	-0-	-0-	-0-	-0-
2. Legislative Funding				
Option A: Instr. Support -99%	4,454,144	-0-	4,483,492	-0-
Option B: Support - 97%	1,863,651	-0-	1,873,661	-0-
Option C: Current Level - 91.7%	-0-	-0-	-0-	-0-
3. Tuition Rates				
Option A: Elim. Surcharge	1,632,527	(1,632,527)	1,640,758	(1,640,758)
Option B: Current Level	-0-	-0-	-0-	-0-
4. Hazardous Waste				
Option A: Unit Requests	$320,975	-0-	251,400	-0-
Option B: Disposal Costs	51,000		51,000	
Option C: No Funding	-0-	-0-	-0-	-0-

Note: FY87 figures include tuition surcharge amendment.

The Montana University System is composed of two universities and four colleges which collectively serve approximately 26,000 students each year. The current level budget reflects a biennial expenditure decrease of 5.5 percent systemwide, with five units' decreases ranging from 12.0 percent at Montana Tech to 3.2 percent at the University of Montana. Western Montana College increases by 1.5 percent. Decreases

in enrollment for fiscal 1988 are projected for all units except Western Montana College, which is expected to experience a minor increase. All units' enrollment projections increase slightly for fiscal 1989. These enrollment decreases are the major factor affecting current level funding changes.

The current level analysis presents the estimated expenditures which would result from: 1) student enrollment projections for fiscal 1988 and 1989 based on historic enrollment data; 2) the funding level for the enrollment driven programs at 91.7 percent for instruction and support, which represents the fiscal 1987 effective funding rate due to general fund and other budget reductions; 3) inflation adjustments; and 4) tuition and fees which reflect the academic year 1986-87 tuition with surcharge.

PROGRAM EXPENDITURES

The University System expenditures are categorized in six functional areas: instruction, support, plant operation/maintenance, research, public service, and scholarships/fellowships. Biennial legislative audit costs totaling $352,800 are included in fiscal 1988. The program expenditures for each unit, as estimated by the current level analysis, are listed in Table 1.

Table 1
Program Expenditures by Unit
1989 Biennium

	MSU	UM	EMC	NMC	WMC	MCMST	Total
FISCAL 1988							
Instruction	$23,267,982	$17,297,059	$ 6,108,652	$3,656,528	$2,072,146	$3,548,995	$ 55,951,362
Support	12,284,279	10,283,590	4,185,879	1,998,122	1,111,167	2,381,630	32,244,667
Audit	81,600	79,200	52,800	43,200	42,000	54,000	352,800
Research	597,925	445,254	-0-	-0-	-0-	43,718	1,086,897
MONTCLIRC	-0-	72,925	-0-	-0-	-0-	-0-	72,925
Public Service	10,258	206,020	231,435	9,373	-0-	-0-	457,086
Physical Plant	4,804,913	5,273,489	2,024,605	944,384	729,090	1,409,531	15,186,012
Scholarship & Fellowships	1,147,803	985,840	356,466	227,135	82,683	205,447	3,005,374
Total	$42,194,760	$34,643,377	$12,959,837	$6,878,742	$4,037,086	$7,643,321	$108,357,123
FISCAL 1989							
Instruction	$23,337,572	$17,365,051	$6,180,416	$3,700,171	$2,094,749	$3,642,083	$ 56,320,042
Support	12,303,666	10,307,012	4,227,371	2,018,472	1,121,464	2,439,887	32,417,872
Research	597,925	446,534	-0-	-0-	-0-	43,747	1,088,206
MONTCLIRC	-0-	72,925	-0-	-0-	-0-	-0-	72,925
Public Service	10,258	206,013	231,447	9,373	-0-	-0-	457,091
Physical Plant	4,973,137	5,410,778	2,079,056	969,517	744,443	1,440,618	15,617,549
Scholarships & Fellowships	1,149,605	988,069	359,988	229,449	83,448	210,468	3,021,027
Total	$42,372,163	$34,796,382	$13,078,278	$6,926,982	$4,044,104	$7,776,803	$108,994,712

Table 2 illustrates the enrollment estimates developed by the Board of Regents and those developed by the Office of the Legislative Fiscal Analyst. Both the regents and LFA figures are derived from an enrollment projection model devised by a 1983 enrollment task force. Several different factors may be considered when utilizing the model. These factors include estimates of the number of students graduating from Montana high schools in 1987 and 1988. Historic patterns are observed to determine the portion of first-time freshman students who are from Montana; ratios of students continuing on to sophomore, junior, and senior years; proportion of undergraduate, graduate, and other students at the units; and the relationship between total number of students enrolled and the full-time equivalent students.

The LFA estimate shows a systemwide decrease of approximately 4.4 percent from fiscal 1986 to fiscal 1988, and an increase bringing fiscal 1989 enrollment figures up near fiscal 1987 enrollment estimates. The projection predicts a slight increase for Western Montana College for both years of the biennium. These projections are used in the current level analysis.

The regents' estimate shows a slight enrollment decline of 0.6 percent from fiscal 1986 to fiscal 1988 with further declines in fiscal 1989 of 0.4 percent.

Table 2
Student Full-Time Equivalents
Montana University System
1987 through 1989 Biennium

Unit	Actual Unrestricted Enrollment FY 1986	Budgeted FY 1987	Using Enrollment Projection Model – Regent Estimate* FY 1988	Using Enrollment Projection Model – Regent Estimate* FY 1989	Using Enrollment Projection Model – LFA Estimate FY 1988	Using Enrollment Projection Model – LFA Estimate FY 1989
MSU	10,097	10,211	9,765	9,858	9,550	9,565
UM	8,144	8,099	8,175	8,113	7,961	7,979
EMC	3,442	3,493	3,580	3,487	3,239	3,271
NMC	1,693	1,737	1,648	1,645	1,571	1,587
WMC	854	873	868	861	865	873
MCMST	1,659	1,837	1,705	1,674	1,555	1,593
System	25,889	26,250	25,741	25,638	24,741	24,868

*For budget purposes the regents chose to use actual fiscal 1986 enrollment figures, except for EMC which was placed at 3,480, in place of the model projections for fiscal 1988 and used model projections for fiscal 1989.

The university funding formula relies heavily on student enrollment estimates to develop the instruction and support program budgets. Table 3 illustrates the fiscal impact of a single fiscal year full time student (FY FTE) to each program's budget.

Table 3
Funding Impact - Full Time Student Equivalent
Instruction and Support Programs*
1989 Fiscal Year

Unit	Number of Students	Other Support Rate	Instruction Support Rate	Portion of Impact Faculty Salary**	Per FTE Student
MSU	1	$1,396	$633	$2,089	$4,118
UM	1	1,396	468	1,972	3,836
EMC	1	1,387	382	1,744	3,513
NMC	1	1,387	467	2,176	4,030
WMC	1	1,387	532	2,161	4,080
MCMST	1	1,650	465	2,070	4,185

*Factors are shown at 100 percent before being discounted 91.7 percent.
**Based on average salary figure used in formula divided by student/faculty ratio per unit.

Instruction

The Instruction Program represents approximately 50 percent of total expenditures funded from current unrestricted operating funds at the units. Costs relating to instruction and instructional support within the academic departments are recorded in this program. The major factors used in developing this budget other than enrollment are: student faculty ratios, faculty benefits, and an average faculty salary based on a peer average established at the time of formula development, with inflation to fiscal 1987. An instructional support rate per fiscal year full-time equivalent student (FY FTE) is calculated by using enrollments in the units' varying academic disciplines and applying an inflation factor to an established cost factor. A three year average enrollment by discipline is used in current level analysis to estimate the instructional support cost rate. Table 4 lists the instruction budget factors for each unit in the 1989 biennium.

Table 4
Instruction Program Budget Factors*
1989 Biennium

Unit	Student Faculty Ratio 3 Year Average	FY 1987 Average Faculty Salary	Academic Year Faculty Benefits 1988	Academic Year Faculty Benefits 1989	Instruction Support Rate 1988	Instruction Support Rate 1989
MSU	17.80	$30,986	.19793	.19982	621.78	622.39
UM	18.89	30,986	.20051	.20272	459.30	459.75
EMC	19.21	27,772	.20607	.20856	374.94	375.31
NMC	15.24	27,495	.20457	.20667	458.59	459.04
WMC	15.35	26,495	.20429	.20647	522.16	522.67
MCMST	17.46	29,996	.20184	.20489	456.22	456.67

*Factors are shown at 100 percent before being discounted to 91.7 percent.

The instruction budget was funded by the 1985 legislature at 99 percent. In Special Session III a general fund reduction of 5 percent and a reduction in pay plan funding resulted in a net funding level representing approximately 91.7 percent for the Instruction and Support Program budgets. The current level Instruction Program is funded at the effective fiscal 1987 rate of 91.7 percent. Issue 2, presented later, discusses the fiscal impact of changing the funding level to reflect 99 percent support of the instruction budget.

Support

The Support Program includes three major activities: academic, student services, and institutional support. Expenditures relating to academic deans, libraries, intercollegiate athletics, student counselling services, registrar, budgeting, personnel, and other financial and academic administration are recorded in the support program.

The budget for the Support Program is based primarily on a cost per academic year FTE student, as in the instructional support budget. The current level analysis uses a rate which reflect similar expenditures by university and college peers at the time of the original formula study, with applied inflation.

In addition to a flat rate per student, an adjustment is allowed for schools experiencing large numbers of part-time students. This adjustment, known as the high headcount adjustment, recognizes that the support area workload is not accurately measured by the number of full-time student enrollment figures.

Table 5 lists the support rate and high headcount adjustment used for each unit in the current level analysis. The 1985 legislature funded the support budget at a 95 percent level for fiscal 1986 and a 97 percent level for fiscal 1987. Special Session III general fund reductions resulted in an effective rate of 91.7 percent funding for both the Support and Instruction Programs. Current level analysis funds the Support Program at 91.7 percent. Issue 2 discusses the financial impact of a 97 percent support level.

Table 5
Support Program Budget Factors*
1989 Biennium

Unit	- - Support Rate - - Fiscal 1988 and 1989	- - High Headcount Adjustment - - Fiscal 1988	Fiscal 1989
MSU	$1,396	$ 64,361	$ 64,562
UM	1,396	100,828	101,242
EMC	1,387	72,260	73,124
NMC	1,387	-0-	-0-
WMC	1,387	11,987	12,119
MCMST	1,650	31,447	32,277

*Factors are shown at 100 percent, before being discounted to 91.7 percent.

Plant Operation and Maintenance

The Plant Operation and Maintenance Program includes those activities that relate to operation and maintenance of grounds and facilities. The budget for this program is based on fiscal 1986 expenditures with a negative adjustment for all expenditures above the legislatively appropriated levels. An annual reduction of $229,535 was made in the current level plant budget at Montana State University. That amount was removed from the fiscal 1987 plant budget by the 1985 legislature. The 1985 legislature also allowed modifications to plant operation budgets in fiscal 1987 for new space at Montana Tech for $180,000 and at Montana State University for $238,414, plus an additional $25,370 for Western Montana College in fiscal 1987 to bring maintenance costs closer to the systemwide average. Current level plant budgets were adjusted to include these modifications. An adjustment was also made in the plant budget at Montana State University for anticipated energy savings of $259,000 annually.

Issue 4 addresses requests for hazardous waste funding.

Public Service and Research

Public service activities include non-instructional services established for the benefit of individuals and groups external to the institution. The Research Program provides financial support for research efforts to benefit Montana and for individual efforts of faculty and graduate students. Both research and public service budgets are based on fiscal 1986 actual expenditures, with adjustments for inflation and for expenditures above legislatively appropriated levels.

MONTCLIRC (Montana Criminal Law Information Research Center) was created in 1976 through a grant from the U.S. Department of Justice to provide legal research assistance to the state criminal justice system. The program was funded through a variety of grants until 1979 when state funds were appropriated. Since that time the program budget has been included with the Board of Crime Control, the Supreme Court, and since the last biennium, the University of Montana.

The MONTCLIRC program was included in the University of Montana research appropriation for the 1987 biennium and is located in the University Law School. Funds were appropriated to MONTCLIRC in the amount of $87,500 for fiscal 1986 and $72,925 for fiscal 1987. Language in the appropriations bill required that MONTCLIRC user fees be collected and deposited in a separate designated fund to measure the demand for the services and provide a basis for evaluation by the next legislature. User fees are charged to the attorneys, judges, and law enforcement officials who request services related to criminal case research and related issues.

User fees in fiscal 1986 totaled $11,717. The MONTCLIRC director supplied detailed information concerning the user fee services provided during fiscal 1986. User fees were received for 900 hours of research; 80 telephone responses; 482 copies of prior memos, law reviews, and bibliographies; and registrations for the criminal law institute. The recipients of the user fee services included 127 criminal justice personnel representing 36 counties. Services in addition to those generating a user fee include distribution of a quarterly newsletter to state criminal justice personnel and production of handbooks on the state criminal code.

Expenditures from the user fee designated fund for MONTCLIRC in fiscal 1986 included $1,232 for contracted services, leaving $10,485 to fund activities in fiscal

1987. Expenditures from the general fund for fiscal 1986 totaled $82,142. Of that amount, $72,646 was expended for personal services and $9,496 for operating expenses. The personal services included a 0.95 FTE director, a 0.94 FTE secretary, and a total of 2.54 FTE part-time personnel (student research assistants). Operating expenses included office supplies and minor equipment of $5,335, communications for $2,274, repair of $1,514, and $373 in travel and other.

The fiscal 1987 MONTCLIRC budget reflects general fund of $72,925 plus $16,165 from the user fee designated fund. The current level analysis continues general fund appropriations at $72,925 for the 1989 biennium, with the expected user fee designated fund to provide approximately $15,000 annually to complete budget needs.

Scholarships and Fellowships

The scholarships and fellowships program includes the discretionary and mandatory fee waivers granted by each unit. Discretionary fee waivers are calculated at 5.75 percent of the registration and resident incidental fees and 18.45 percent of non-resident incidental fees. Categories of students receiving mandatory fee waivers include: veterans, war orphans, prisoners of war, senior citizens, Native Americans, custodial, high school honor scholarship, community college honor, and National Merit. Table 6 lists mandatory waivers expenditures reported in fiscal 1986.

Table 6
Mandatory Fee Waivers
Fiscal 1986

Category	MSU	UM	EMC	NMC	WMC	MCMST	TOTAL
Veterans	$ 25,044	$ 26,687	$24,605	$12,675	$ 7,991	$ 8,739	$105,741
War Orphans	2,700	906	--	--	--	--	3,606
POW	--	--	--	--	--	--	--
Senior Citizens	3,096	3,593	2,705	2,025	2,902	4,415	18,736
Native American	55,410	62,301	75,551	105,408	3,306	4,158	306,134
Custodial	231	462	1,101	--	--	--	1,794
High School Honor	168,174	67,134	29,832	3,003	5,212	19,269	292,624
C. College Honor	2,292	1,476	1,386	--	--	--	5,154
National Merit	6,312	1,902	--	--	--	1,413	9,627
Total	$263,259	$164,461	$135,180	$123,111	$19,411	$37,994	$743,416

Based on fiscal 1986 actual expenditures for mandatory fee waivers, enrollment projections, and tuition and fee changes, the projection for mandatory fee waivers is $853,284 in fiscal 1988 and $858,390 in fiscal 1989.

REVENUE SOURCES

The Montana University System units are funded from several sources, including: general fund, tuition and fees, statewide six mill levy proceeds, indirect cost reimbursement, and other miscellaneous sources.

Table 7 details the current level funding estimate for each revenue source by unit for the 1989 biennium. The largest funding source is the state general fund, followed by tuition and fees, and millage.

Table 7
Revenue Sources by Unit
1989 Biennium

FISCAL 1988

Rev. Source	MSU	UM	EMC	NMC	WMC	Tech	Total	% of Total
General Fund	$25,698,802	$21,280,220	$ 8,103,869	$4,714,503	$2,793,891	$4,762,906	$ 67,354,191	62.2
Tuit. & Fees	10,371,026	9,306,830	3,235,105	1,447,149	853,213	1,809,429	27,022,752	24.9
Millage	4,529,932	3,486,327	1,490,863	688,090	366,982	905,986	11,468,180	10.6
Ind. Costs	1,235,000	460,000	105,000	24,000	18,000	150,000	1,992,000	1.8
Other	360,000	110,000	25,000	5,000	5,000	15,000	520,000	0.5
Total	$42,194,760	$34,643,377	$12,959,837	$6,878,742	$4,037,086	$7,643,321	$108,357,123	100.0

FISCAL 1989

Rev. Source	MSU	UM	EMC	NMC	WMC	Tech	Total	% of Total
Gen. Fund	$25,784,191	$21,353,903	$8,165,425	$4,736,502	$2,786,883	$4,837,025	$67,663,929	62.1
Tuit. & Fees	10,387,316	9,327,873	3,267,067	1,461,887	861,104	1,853,647	27,158,894	24.9
Millage	4,605,656	3,544,606	1,515,786	699,593	373,117	921,131	11,659,889	10.7
Ind. Costs	1,235,000	460,000	105,000	24,000	18,000	150,000	1,992,000	1.8
Other	360,000	110,000	25,000	5,000	5,000	15,000	520,000	0.5
Total	$42,372,163	$34,796,382	$13,078,278	$6,926,982	$4,044,104	$7,776,803	$108,994,712	100.0

General Fund

The current level estimate of general fund results from first applying all non-general fund sources to the estimated expenditures, with the balance being general fund. A general fund decrease of 3.6 percent is estimated for the system in the 1989 biennium under current level. Pay increases, if appropriated, will be fully funded by general fund.

Tuition and Fees

The tuition and fee estimate used in the current level analysis is based upon tuition rates charged by the University System in fiscal 1987. That rate includes the rate approved by the 1985 legislature plus a surcharge of $2 per credit hour ($3 if on a semester basis) totaling $72 per full-time equivalent student. The board of regents approved the addition of the surcharge for fiscal 1987 and budget amendments for four of the units of the system. The increased income from tuition and fees was not anticipated to exceed already available authority at Montana State University and Montana College of Mineral Science and Technology. The tuition increase combines with decreased enrollment to provide tuition and fee revenue that is 3.6 percent more

than the previous biennium. Current level shows tuition and fees representing 24.9 percent of the 1989 biennium revenue for the University System. Issue 1 addresses the fiscal impact of not continuing the regents' surcharge.

Statewide Six Mill Levy

Section 15-10-105, MCA, authorizes the state to collect up to six mills on the taxable value of all real and personal property in the state. The proceeds of the levy are used to support, maintain, and improve the Montana University System and other public institutions subject to board of regents' supervision. The act establishing the 6-mill levy terminates on January 1, 1989. These funds are subject to legislative appropriation. An estimated $11,468,180 will be available in fiscal 1988 and $11,659,889 in fiscal 1989. These figures represent a decrease of 28.7 percent from the 1987 biennium.

Indirect Costs Reimbursement and Other

The estimated funding from these revenue sources is based on fiscal 1986 revenue. Adjustments were made for indirect cost reimbursements, with an annual reduction of $180,000 for Montana Tech because of decreased administrative charge income from the Bureau of Mines, plus $380,000 in excess indirect cost which the units were allowed to retain for fiscal 1986 and 1987 to meet the budget shortfall.

Until the 1987 biennium, land grant income was also included as a revenue source. A September 1984 attorney general's opinion stated that the legislature cannot appropriate revenue pledged to repay university revenue bonds. Based upon that opinion the 1985 legislature approved a University System request to remove land grant funds from general operations income, although not all land grant funds were pledged to repay bonds. General fund replaces this funding source.

ISSUE 1: ENROLLMENT ESTIMATES

It appears that enrollment in the University System will stabilize over the next few years. Approximately 42 percent of the system's first-time resident freshmen were spring high school graduates. The number of high school graduates has decreased steadily in the past few years to a low of approximately 9,800 in the spring of 1986 (the freshman class of fiscal 1987). The annual number of students graduating is then expected to increase to over 10,000 for three years before the number graduating drops lower than the fiscal 1987 figure.

Enrollment estimates used in current level analysis are developed from an enrollment projection model devised by a 1983 enrollment task force. Table 8 shows the current level and the Board of Regents estimates for the 1989 biennium.

Table 8
Enrollment Projections
Montana University System

Unit	Board of Regents FY 1988	Board of Regents FY 1989	Board of Regents Total	Current Level FY 1988	Current Level FY 1989	Current Level Total	Board of Regents Over (Under) Current Level
MSU	10,097	9,858	19,955	9,550	9,565	19,115	840
UM	8,144	8,113	16,257	7,961	7,979	15,940	317
EMC	3,480	3,487	6,967	3,239	3,271	6,510	457
NMC	1,693	1,645	3,338	1,571	1,587	3,158	180
WMC	854	861	1,715	865	873	1,738	(23)
MCMST	1,659	1,674	3,333	1,555	1,593	3,148	185
Total	25,927	25,638	51,565	24,741	24,868	49,609	1,956

The University System experienced an increase in enrollment each year from fiscal 1980 through 1984. However, in fiscal 1985 the enrollment began to decrease. Fiscal 1984 enrollment exceeded budgeted estimates by 128 students. However, enrollment figures used for budgeting purposes from fiscal 1985 through fiscal 1987 reflect figures that exceed actual enrollment by 898 students in fiscal 1985, 647 students in fiscal 1986, and approximately 1,208 students in fiscal 1987. Table 9 illustrates the actual versus the appropriated figures for enrollment for fiscal years 1984 to 1987.

Table 9
Comparison of Unrestricted Actual/
Projected Enrollment to Budgeted Enrollment
Fiscal 1984 through Fiscal 1987

Unit	1984 Actual	1984 Budgeted	1985 Actual	1985 Budgeted	1986 Actual	1986 Budgeted	1987 Projected	1987 Budgeted
MSU	10,782	10,738	10,353	10,693	10,097	10,382	9,662	10,211
UM	8,336	8,283	8,265	8,283	8,144	8,183	8,000	8,099
EMC	3,503	3,551	3,468	3,597	3,442	3,516	3,275	3,493
NMC	1,745	1,623	1,707	1,641	1,693	1,737	1,630	1,737
WMC	882	867	880	864	854	875	880	873
MCMST	2,090	2,148	1,880	2,373	1,659	1,843	1,595	1,837
Total	27,338	27,210	26,553	27,451	25,889	26,536	25,042	26,250

Table 10 details the general fund increase resulting from using the Board of Regents enrollment estimates listed in Table 8, which are 1,956 FY FTE higher than the biennium enrollment estimates used in current level.

Table 10
Expenditure and Revenue Impact To General Fund
Using Board of Regents' Enrollment Figures

FISCAL 1988							
EXPENDITURE IMPACT	MSU	UM	EMC	NMC	WMC	MCMST	Total
Instruction	$1,332,732	$ 397,608	$ 454,518	$ 283,957	$(26,351)	$ 237,360	$ 2,679,824
Support	703,613	236,390	311,453	155,169	(14,130)	159,285	1,551,780
Scholarships	65,743	22,662	15,092	17,638	(1,052)	13,740	133,823
Exp. Impact	$2,102,088	$ 656,660	$ 781,063	$ 456,764	$(41,533)	$ 410,385	$ 4,365,427
REVENUE IMPACT							
Tuition/Fees	594,027	213,936	235,509	112,382	(10,850)	121,017	1,266,021
General Fund	$1,508,061	$ 442,724	$ 545,554	$ 344,382	$(30,683)	$ 289,368	$ 3,099,406
Added Funds	$2,102,088	$ 656,660	$ 781,063	$ 456,764	$(41,533)	$ 410,385	$ 4,365,427

FISCAL 1989							
EXPENDITURE IMPACT	MSU	UM	EMC	NMC	WMC	MCMST	Total
Instruction	$ 714,889	$ 291,630	$ 408,122	$ 135,230	$(28,793)	$185,190	$1,706,268
Support	376,892	173,097	279,154	73,769	(15,415)	124,062	1,011,559
Scholarships	35,217	16,495	23,772	8,384	(1,147)	10,702	93,423
Exp. Impact	$1,126,998	$ 481,222	$ 711,048	$ 217,383	$(45,355)	$319,954	$2,811,250
REVENUE IMPACT							
Tuition/Fees	318,189	156,653	215,740	53,428	(11,837)	94,253	826,426
General Fund	$ 808,809	$ 324,569	$ 495,308	$ 163,955	$(33,518)	$225,701	$1,984,824
Added Funds	$1,126,998	$ 481,222	$ 711,048	$ 217,383	$(45,355)	$319,954	$2,811,250

Expenditures would increase by $4,365,427 in fiscal 1988 and by $2,811,250 in fiscal 1989. The increase in tuition and fees would total $1,266,021 in fiscal 1988 and $826,426 in fiscal 1989. The net difference would be a general fund increase of $3,099,406 in fiscal 1988 and $1,984,824 in fiscal 1989, or a total increase for the biennium of $5,084,230.

Option A: Use the Board of Regents enrollment estimates for a general fund increase of $3,099,406 in fiscal 1988 and $1,984,824 in fiscal 1988, and a tuition and fee revenue increase of $1,266,021 in fiscal 1988 and $826,426 in fiscal 1989.

Option B: Maintain the current level enrollment estimates.

ISSUE 2: LEGISLATIVE FUNDING LEVEL

Since the implementation of the university funding formula, the legislature has generally chosen to fund the formula driven budget at levels less than 100 percent of peer institutions. In the 1985 session, the legislature funded the instruction budget at 99 percent both years of the current biennium and funded the support program at 95 percent for fiscal 1986 and 97 percent for fiscal 1987. Special Session III reductions in general fund resulted in an effective rate of 91.7 percent formula funding for the instruction and support programs.

A 91.7 percent funding level is utilized in current level for both the instruction and the support portions of the budget. The fiscal impact of implementing formula funding to the level anticipated by the 1985 legislature is illustrated in Table 11. Instruction costs are projected at 99 percent of the funding formula and support costs at 97 percent. Compared to current level funding of 91.7 percent, general fund would increase by $6,317,795 in fiscal 1988 and $6,357,153 in fiscal 1989, for a total of $12,674,948 for the biennium.

Table 11
General Fund Cut of Funding the Formula at
99 Percent Instruction and 97 Percent Support Rather Than 91.7 Percent
1989 Biennium

	FISCAL 1988			FISCAL 1989		
Unit	91.7 % Funding	99% & 97% Funding	Increase	91.7% Funding	99% & 97% Funding	Increase
MSU	$35,552,261	$38,114,562	$2,562,301	$35,641,238	$38,210,199	$2,568,961
UM	27,580,649	29,551,986	1,971,337	27,672,063	29,650,165	1,978,102
EMC	10,294,531	11,022,757	728,226	10,407,787	11,144,124	736,337
NMC	5,654,650	6,061,223	406,573	5,718,643	6,129,866	411,223
WMC	3,183,313	3,412,494	229,181	3,216,213	3,447,788	231,575
MCMST	5,930,625	6,350,802	420,177	6,081,970	6,512,925	430,955
Total	$88,196,029	$94,513,824	$6,317,795	$88,737,914	$95,095,067	$6,357,153

Option A: Increase funding level for the Instruction Program to 99 percent for an increase of $4,454,144 in fiscal 1988 and $4,483,492 in fiscal 1989.

Option B: Increase funding level for the Support Program to 97 percent for an increase of $1,863,651 in fiscal 1988 and $1,873,661 in fiscal 1989.

Option C: Maintain current level for both the instruction and support programs at 91.7 percent.

ISSUE 3: TUITION RATES

As indicated in the current level discussion on tuition and fee revenue, fiscal 1987 University System tuition includes the rate approved by the 1985 legislature plus a surcharge. The Board of Regents approved a surcharge to meet budget needs due to budget cutbacks and declining enrollment.

The legislative approved fiscal 1987 in-state tuition rate is $720 and the rate with the surcharge is $792, an increase of $72 per FTE. Out-of-state students pay both in-state and non-resident fees. The surcharge increases fiscal 1987 tuition revenue by $1.8 million for approximately 25,000 students. Table 12 illustrates the fiscal impact if the surcharge is removed. Tuition revenue, with appropriate adjustments for scholarships and fellowships, decreases by $1,632,527 in fiscal 1988 and $1,640,758 in fiscal 1989. The general fund would increase by $3,273,285.

Table 12
Fiscal Impact of Not Maintaining the Tuition Surcharge

	FISCAL 1988			FISCAL 1989		
Unit	Without Surcharge	Current Level	Difference	Without Surcharge	Current Level	Difference
MSU	$ 8,594,549	$ 9,223,223	$ 628,674	$ 8,608,049	$ 9,237,711	$ 629,662
UM	7,790,976	8,320,990	530,014	7,808,591	8,339,704	531,113
EMC	2,657,989	2,878,639	220,650	2,684,250	2,907,079	222,829
NMC	1,124,636	1,220,014	95,378	1,136,089	1,232,438	96,349
WMC	713,697	770,530	56,833	720,298	777,656	57,358
MCMST	1,503,004	1,603,952	100,978	1,539,732	1,643,179	103,447
System	$22,384,851	$24,017,378	$1,632,527	$22,497,009	$24,137,767	$1,640,758

Option A: Do not use the surcharge for a tuition and fee decrease of $1,632,527 in fiscal 1988 and $1,640,758 in fiscal 1989 and a corresponding general fund increase.

Option B: Maintain the tuition surcharges.

ISSUE 4: HAZARDOUS WASTE

Each unit of the university system requests funds to address hazardous waste needs. Regulations were implemented in November of 1980 by federal and state agencies to ensure safe storage and disposal of generated hazardous wastes, requiring costs beyond normal plant operations. Penalties for non-compliance include criminal charges and fines. Special handling is required to manage, store, and dispose of hazardous waste. Some waste must be destroyed or transported to out-of-state disposal sites. In order for the units to come into compliance with current regulations, each unit requests funding for storage, disposal, and associated management costs. Requests are also made by five of the units for a total of 5.25 FTE, with Eastern Montana College not requesting any funding for FTE's. Unit requests also include site construction at Montana Tech and asbestos removal at Northern Montana College and Eastern Montana College for a system request of $320,975 in fiscal 1988 and $251,000 in fiscal 1989, as shown in Table 13.

All units except Montana State University are small generators, producing from 100 to 1,000 kilograms of hazardous waste per month. Regulations for storage and disposal are less restrictive for small generators than for large generators. Montana State University generates larger volumes of hazardous waste, provides more safeguards and management, and disposes of quantities of waste on a regular basis.

Table 13 lists the budget requests from each unit as well as an option that includes disposal and management costs based on the number of barrels of hazardous waste that require special handling. Storage barrel and transportation costs are projected at $500 per barrel for the 1989 biennium with an additional $500 per barrel for associated handling and processing costs. The total costs based on $1,000 per barrel are shown in Table 13.

Table 13
Hazardous Waste Requests

	- - Unit Requests - -		- - - - - - - - Disposal Costs - - - - - - - -			
Unit	FY 1988	FY 1989	Barrels	Cost Per Barrel	FY 1988	FY 1988
MSU	$ 67,180	$ 67,780	34	$1,000	$ 34,000	$ 34,000
UM	93,728	93,728	8	1,000	8,000	8,000
EMC	76,000	6,000	2	1,000	2,000	2,000
NMC	11,047	10,872	1	1,000	1,000	1,000
WMC	18,020	18,020	1	1,000	1,000	1,000
MCMST	55,000	55,000	5	1,000	5,000	5,000
Total	$320,975	$251,400			$51,000	$51,000

Option A: Provide funding as requested by the units total $320,975 for fiscal 1988 and $251,400 for fiscal 1989.

Option B: Provide disposal cost funding for each unit at a cost of $51,000 each year of the biennium.

Option C: Provide no additional funding for hazardous waste disposal.

INDEX

	PAGE
Administration, Department of	A-199
Agriculture, Department of	C-108
Arts Council	E-68
Auditor, Legislative	A-1
Auditor, State	A-78
Budget Issues, Summary of	6
Commerce, Department of	C-130
Community Colleges	F-31
Consumer Counsel	A-24
Council, Legislative	A-12
Crime Control, Board of	A-136
Deaf and Blind, School for	E-8
Employment Services	B-46
Environmental Quality Council	A-29
Fiscal Analyst, Legislative	A-7
Fish, Wildlife and Parks, Department of	C-7
Foundation Program - Public Schools	E-41
FTE Comparison	56
General Fund Expenditure Summary by Agency	57
General Fund Revenue Forecasts	14
General Fund Summary and Comparison	11
General Fund Supplemental Requests	55
Governor, Office of the	A-50
Health and Environmental Sciences, Department of	B-1
Higher Education	
Colleges & Universities	F-73
Agricultural Experiment Station	F-39
Bureau of Mines	F-49
Commissioner of Higher Education	F-6
Community Colleges	F-31
Cooperative Extension Service	F-56
Forestry and Conservation Experiment Station	F-67
Regents, Board of	F-1
Highways, Department of	A-172

PAGE

Highway Traffic Safety A-133
Historical Society E-77
Inflation in Agency Budgets 51
Institutions, Department of
Center for the Aged D-60
Central Office
Director's Program D-4
Management Services Division D-6
Alcohol and Drug Abuse Division D-9
Mental Health and Residential Services D-20
Corrections Division D-14
Eastmont Training Center D-64
Montana Development Center D-54
Montana State Hosptial D-72
Mountain View School D-23
Pardons, Board of D-84
Pine Hills Schoool D-27
Prison, Montana State D-32
Swan River Youth Forest Camp D-51
Veteran's Home D-68
Judiciary A-34
Justice, Department of A-89
Labor and Industry, Department of B-46
Lands, Department of State C-30
Legislative Auditor A-1
Legislative Council A-12
Legislative Fiscal Analyst A-7
Library Commission E-97
Livestock, Department of C-62
Long-Range Building 61
Military Affairs, Department of B-76
Natural Resources and Conservation, Department of C-77

PAGE

Other Education
- Advisory Council for Vocational Education E-65
- Distribution to Public Schools E-41
- Fire Services Training School E-5
- Historical Society E-77
- Montana Arts Council E-68
- Office of Public Instruction E-20
- Public Education, Board of E-1
- School for the Deaf and Blind E-8
- State Library Commission E-97
- Vocational Technical Centers E-47

Pay Plan . . . . .
Political Practices, Commissioner of A-75
Public Education, Board of E-1
Public School Foundation Program E-41
Public Service Regulation C-1
Revenue, Department of A-190
Revenue Forecasts, General Fund 14
Revenue Projections, A Comparison of 39
Secretary of State A-67
Social and Rehabilitation Services, Department of B-88
State Auditor A-78
State Lands, Department of C-30
State Library E-97
Summary of Budget Issues 6
Supplemental Request, General Fund 55
Superintendent of Public Instruction E-20
Supreme Court A-34
University System (See Higher Education) F-73
Veterans' Affairs B-84
Vocational Education, Advisory Council for E-65
Vocational-Technical Centers E-47
Workers' Compensation B-66

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